

103

BUDGET PROCESS: TESTIMONY OF HON. ROBERT H. MICHEL; FORMER SENATOR HENRY BELLMON; AND FORMER REPRESENTATIVE WILLIS D. GRADISON

Y 4. 3: S. HRG. 103-45

RING

Budget Process: Testimony of Hon. R...

AND THE

JOINT COMMITTEE ON THE ORGANIZATION OF CONGRESS

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

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MARCH 30, 1993



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**BUDGET PROCESS: TESTIMONY OF HON.
ROBERT H. MICHEL; FORMER SENATOR
HENRY BELLMON; AND FORMER REPRESENT-
ATIVE WILLIS D. GRADISON**

TUESDAY, MARCH 30, 1993

HOUSE OF REPRESENTATIVES,
JOINT COMMITTEE ON THE ORGANIZATION OF CONGRESS,
Washington, DC.

The committee met, pursuant to call, at 2 p.m., in Room HC-05 The Capitol, Senator David L. Boren (chairman of the committee) presiding.

Chairman BOREN. I see our lead off witness has joined us.

Mr. Leader, if you would like to join us at the witness table. I will call the meeting to order.

**OPENING STATEMENT OF HON. DAVID L. BOREN, A U.S. SENATOR
FROM THE STATE OF OKLAHOMA**

Chairman BOREN. Today the Joint Committee holds the last in our series of hearings on the budget process. We have had six hearings that have included testimony of Members from the various congressional committees involved in the budget process, Senators and representatives with proposals for reform and outside expert witnesses. We have heard a wide range of proposals for reform from relatively small changes in the Budget Act or chamber procedure to historic changes in the process and the committee structure of the Congress.

This afternoon we are hearing from House Minority Leader Bob Michel, as well as from two former Members of the Congress who were leaders in the budget process. We are pleased to have them here with us today. We also have a prepared statement by Chairman of the House Rules Committee, Chairman Moakley, that will be included in the record.

[The prepared statement of Hon. John Joseph Moakley is printed in the Appendix.]

Chairman BOREN. Our first witness today, of course, is the Minority Leader of the House, Representative Bob Michel. He has been a Member of the House of Representatives since 1957, serving the 18th District of Illinois. He also has been serving as the Minority Leader of the House since 1981. We were very pleased to have him testify before us earlier on the general subject of reform in that historic hearing where we had for the first time all of the leaders of both Houses together in the very same day of hearings,

and Mr. Leader, we are very appreciative that you would return with us today to specifically talk about the budget process.

Let me say that it has been a privilege for this Senator to have the opportunity to work with Congressman Michel on a number of occasions. As we have said in these hearings previously, this committee is determined to come up with meaningful reform, and we are determined to do it on a bipartisan basis. This is a mission not for one party or the other, but it is really a mission for the country, to make this institution work better, to make the process work better.

Let me say that in all of my dealings with the distinguished Minority Leader, that has been the spirit with which he has approached the task, and it has been a real privilege to work with him, so Congressman Michel, we welcome you back. We would appreciate any comments which you wish to make at this time.

STATEMENT OF HON. ROBERT H. MICHEL, HOUSE MINORITY LEADER AND U.S. REPRESENTATIVE FROM THE STATE OF ILLINOIS

Mr. MICHEL. Well, thank you, Mr. Chairman, and members of the committee. I apologize for the fact that the leaders of both Houses are supposed to be ex officio members of this committee and the time requirements on our side have practically made it impossible for me to be the kind of attender that I would normally have envisioned because I would have preferred to put time into this effort than I would some of the other things that I think aren't going hopefully as far as what I perceive for this committee, but I would like to thank you all for the opportunity to appear before this distinguished panel again, as the Chairman indicated, for the second time, and discuss the budget process.

It is an arcane process to which the Congress has felt compelled to add layer upon layer of revisions in the attempt to control our individual spending and revenue actions. Let me provide some historical perspective. Forgive me if much of what I have to say even is familiar, but I think we have to rethink the entire process, so let's begin at the beginning.

Before the 1974 Budget Impoundment and Control Act, the only way to get the entire budget picture was to add up all the various spending and revenue decisions as finalized at the beginning of a fiscal year. The 1974 Budget Act for the first time required Congress to look at the budget as a whole at the start of the congressional budget cycle. That would be September 30th, October 1st of any year. The budget resolution was to relate revenue and spending decisions and require Congress to set overall priorities. Through a system of overall spending and revenue limits, committee allocations and points of order, these overall priorities were to be enforced as individual spending revenue and debt measures were acted on throughout the year in preparation of the beginning of the new fiscal year.

Now, Congress in the mid 1980s, faced with growing deficits, turned to an additional layer of budget enforcement procedure in an attempt to force upon itself the discipline to bring down those deficits. I am, of course, referring to Gramm-Rudman. Congress

first established the overall deficit targets which initially contemplated a balanced budget by the year 1991. Now, those deficit targets, if not met by congressional action, would have been met by an automatic sequester, across-the-board cuts of all nonexempt programs, and the latest version of Gramm-Rudman, effective through 1995, basically provides only for categorical sequesters.

The overall deficit targets are in effect nullified because they are adjusted every year to reflect economic and technical changes. Now, in theory, under the current budget process, Congress has sufficient controls over spending decisions with the budget resolution setting overall priorities, which are then enforced through overall limits, committee allocation, and points of order, as actual spending and revenue legislation moves through the Congress, and the statutory debt limit provides an additional hurdle that has to be increased when annual deficits add to the overall debt. Of course, we are getting to that point this week.

Now, in theory the discretionary caps and pay-as-you-go rules should provide an additional layer of control, and finally in theory, there should be no spending that has not been authorized by law, but in fact the existing process does not provide the control over budgetary decisions that was originally envisioned when these various processes were put in place. I would like to go through just a few of the reasons why I believe the congressional budget process has become so ineffective, and my comments are directed primarily at the House, if you Senators will forgive me, because I know its proceedings better than I know your body.

First, the congressional budget resolution has become a political statement of the two parties, let's face it. There is no longer give and take between individual Members to agree upon a budget resolution that governs the individual spending and revenue bills later in the process. Members are put in a take-it-or-leave-it position on the resolution reported by the Budget Committee or any alternative budget proposals that are presented. The practice has further developed that any alternatives must be in the form of complete substitutes so there can be no cut and bite amendments to the reported budget resolution on the Floor of the House, thus the denial of the opportunity to reprioritize spending decisions in the broadest sense.

Now, as individual spending bills move through Congress, the House routinely waives the Budget Act points of order, and the very tools to prevent us from violating our budget goals and our targets. It has gotten to the point that the House Rules Committee provides blanket waivers and doesn't bother to specify which points of order are being violated.

During the 102nd Congress there were 78 blanket waivers and only nine specified Budget Act waivers, so Members have no idea exactly how many times the Budget Act was waived, and before the 99th Congress there were very few blanket waivers of the House rules; four in the 98th Congress, four in the 97th Congress, and none in the 96th Congress.

Second, a factor in the inability to directly affect spending decisions is the fact that what is debated is so closely controlled and carefully structured by the Majority party. Now, obviously I am speaking in behalf of the Minority for an extended period of time.

To date during the 103rd Congress the House has not considered a single bill under an open rule, and those of you who sit on the Senate side over there, with your unlimited debate time, at times that gets to be frustrating, I guess, for some, but I will tell you, if you get it just in reverse, like we have been forced to endure here, particularly in this Congress, you ought to think about it seriously. We no longer have an open process where Members can have amendments to amendments to get an individual spending item.

Furthermore, many programs are funded which are no longer or may never have been authorized. In the fiscal year 1993, our current year, \$31 billion in appropriations lacked specific authorizations by House authorizing committees. The structure of the budget has changed. Today over 60 percent of the Federal budget is on automatic pilot where unless Congress goes in and changes the underlying statute of the many mandatory and entitlement programs, spending will continue to grow based on new entrants and higher costs. This is certainly the case for health care spending, which we are all going to have to deal with probably before too long.

Recently we have also seen the discretionary spending caps and pay-as-you-go rules overridden by just declaring additional spending as an emergency—that is our escape hatch—although many Members will dispute whether this new spending is in response to an actual emergency. The bottom line is that any control that Congress has imposed upon itself by law or rule can be changed or waived by subsequent congressional action, and I guess that is natural. As a matter of fact, in the House we always say, you know, it is a two-year stint, and each Congress renews itself, but I believe the time has come where we must step back, look at the big picture. I guess that is why I am advocating the passage of a balanced budget constitutional amendment.

The States ought to consider this proposition. That opens it up to a dialogue out among the American citizens at a much more local level, gets them more involved in this thing, and if a balanced budget constitutional amendment is adopted, we as lawmakers will still have to grapple with how this broad concept will be implemented through our legislative process.

Now, pointing to the chart up here, Section 1, total outlays for any fiscal year shall not exceed total receipts for that fiscal year unless three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts by a roll call vote. Then, Section 2, the limit on the debt of the United States held by the public shall not be increased unless three-fifths of the whole number of each House shall provide by law for such an increase by a roll call vote.

Now, there are going to have to be agreements up front by a three-fifths vote of Congress in order for a deficit to occur in any year. As we contemplate how Congress would operate under the requirements of a balanced budget constitutional amendment, I would advocate, I guess, a two-step procedure.

First, the President and Congress would agree on revenues and spending and what would be an acceptable deficit. The second step would be to divide up the pie to determine how money should be spent or revenues raised. This procedure could be implemented in

the interim as the constitutional amendment is being debated by the Congress and ultimately by the States.

In the first step, I would propose that this aggregate-only budget be in the form of a joint resolution so that the Congress and the President would have to agree on the levels, and if a deficit is contemplated, as it may well be during the first few years, then this joint resolution would have to be adopted by a three-fifths vote of each House, so this difficult vote would be taken right up front. Only then would the President, based upon these aggregates, be required to send to the Congress a detailed budget proposal, and Congress would then be required to pass a congressional budget resolution.

Congressional spending priorities would be enforced through committee allocations, reconciliation and points of order when spending and revenue legislation is considered later in the year. In order to streamline the process, I would support a joint House-Senate Budget Committee with representatives from the leadership and major committees to consider and report a budget resolution. I would also support a two-year budget cycle for my two-step process, the aggregate budget and budget resolution establishing the spending priorities.

I would like to see the budget resolution considered through an open process as was the case in the late 1970s. I would like to see a more open process in the consideration of the various individual spending measures so that Members can reprioritize or cut spending. Ideally I would like to have separate votes on attempts to waive the Budget Act.

As a former appropriator, I was on the committee there for 20 some years, I have seen the ability of Members to impact spending in appropriation bills severely limited and I would like to make two specific recommendations in that regard.

First, amendments providing limitations on appropriation bills should be permitted if they have been introduced in bill form with at least 50 cosponsors. Now, we didn't even require that at all in my earlier days. My goodness, it came, appropriation bills came under open rules. You could move to strike the last word, and make your case. If it rose—it either lived or died depending upon the vote of the Members. Limitations restrict the way in which funds are spent and are an effective way to influence policy when no other alternatives are available, particularly when the authorizing committees are failing to act.

I am reminded of the times in the House when we had to—we would argue with the Chair whether or not it complied with what used to be called the Holman rule, a retrenchment in spending imposing new obligations on the part of those who were doing that so that it would be a definite backing away from further spending, and it serves its purpose well in the House, but I haven't heard that argument in the last 10, 12 years in the House of Representatives. Presently the rules for all practical purposes prevent such amendments from being offered because the motion to rise and report effectively prevents anyone from offering any limitations on appropriations.

Now, admittedly I suspect the thing got started when we went over and over and over again particularly on right to life or abor-

tion amendments to my old aging health education and welfare bill. We have been dealing with that thing for 15 years or more and I guess some of the Members just got fed up of having that. I used to get rankled myself.

The Washington Post, here is an umpteen-billion-dollar bill and not one word about the figures. The only story was about the dog-gone riders and particularly the one that I alluded to, and it was very frustrating. We got away from talking about real dollars and cents and probably that led to the Majority then imposing the kind of restrictions on us. The proposed change would restore the right to offer limitation amendments if proponents can demonstrate significant support, and that will allow the process to be opened and at the same time foreclose frivolous time-delaying amendments.

What I am saying there, before when it was just one Member on a whim, whatever his amendment, it could be considered. Now I would say, well, if that is too much of a threat, well, if you can't get 50 Members on your side for an amendment, well, you probably don't have pretty broad gauge support, but you get 50 Members in our caucus, that brings about a consideration of a matter in the caucus, so that ought to be enough protection.

Secondly, amendments should be permitted if they increase spending and are offset with comparable reductions within the same appropriation bill. It is currently impossible for a Member to reprioritize spending in an appropriation bill if the Member would like to add spending to a program at the beginning of the bill and offset that increase by a reduction in a program that appears later in the bill. This is because the bill is usually read line by line for amendment and if spending is added to the program at the beginning of the bill without an offset, it would cause the subcommittee allocation to be exceeded subjecting that portion of the amendment to a point of order.

Now, you might look here, for example, in last year's VA-HUD appropriation bill, I may have proposed an amendment to add, let's say, \$200 million down here to the veterans item medical care which appears on page 7, and offset this additional spending by reducing the space station funding by the same amount, which is partially funded in the NASA research and development account on page 75, the last chart over here, of the bill.

Since the offset does not appear until page 75 of the bill, I am not allowed to offer such an amendment unless I received unanimous consent to offer it or received permission in a rule. Now, this is because of how we consider appropriation bills along with the subcommittee allocations that constrain spending. The final proposal—and incidentally, in those earlier days, you had that opportunity, but, you see, because of these layers and layers of caps supposedly, we are foreclosed from having that flexibility. Before Gramm-Rudman, before any of this artificial, I could offer a motion and in those days you trusted your colleague, and I intend when we get to section so-and-so on page 75 to offset that level of spending with what I have just proposed by way of an increase, so overall the level is the same, but that is my—under my proposal here of having 50 advocates for it, at least give it a shot, but these—all these layers here have brought more and more restrictions on our

being able to do what I think some of us would like to do and our flexibility.

The final proposal that I would like to speak in favor of today is the concept of line-item veto for both appropriations and tax bills. Now, I have introduced bill H.R. 493 which would give the President authority to rescind discretionary budget authority in an appropriation bill or veto any targeted tax provision in a revenue bill. Congress would have a 20-day review period during which a disapproval bill could be enacted. The President should have the tool to get at special interest provisions in both appropriations and tax bills. It is not a panacea in the effort to reduce our Federal deficit, but it is an effective tool that could discourage unnecessary spending or special tax provisions that also cost money.

I would like to make, Mr. Chairman, a part of the record the testimony I presented before the Legislation and National Security Subcommittee of the Government Ops Committee last March 10th here in the House in which they had a hearing specifically on that subject matter, and that would telescope our—

Chairman BOREN. Without objection that will be included in the record.

Mr. MICHEL. Thank you, Mr. Chairman. Again I thank you for the opportunity to testify on the congressional budget process. I would urge the committee to step back, take a broad view of the process because I feel the key to making all the parts of this process work effectively is to return to the philosophy that our forefathers maintained until recently that it is wrong to borrow from future generations really to spend now.

Furthermore, there should be a degree of fairness in the everyday workings of this great institution so that any Member can freely pursue efforts to amend the budget resolution and the various spending and revenue bills considered each year.

And just summarizing briefly that statement that the Chairman was good enough to include in the record, that on the tax bills, for example, H.R. 11, the last one we had, 51 specific trinkets that, frankly, amounted to more than the original purpose for which the tax bill was introduced for aid to the cities, you know, as a result of the Los Angeles riots. So my point is, it is a new one for me, really prompted by that action of last year.

I have always supported a line-item veto. During the Carter years, I advocated it, and even with those on my right, if you can get that far right of old Bob, was that if you can't really surrender that kind of authority to the executive branch, at least give the chief executive the authority to reduce by some arbitrary percentage any line item, 10, 15, 20, 50, but in no case X it out because you feel so strongly it has just got to be in there. But that gives the chief executive, whomever, of whatever party, certainly much more management and control than what we have observed here in the last few years.

I would be happy to subject myself to questions, Mr. Chairman. [The prepared statement of Mr. Michel is printed in the Appendix.]

Chairman BOREN. Well, thank you very much. You have given us a lot to think about. I was listening and I guess considering our rules, I didn't—I was not aware of the fact that—you mean if a

piece of legislation is pending on the House Floor and if it indeed violates the Budget Act or it would be alleged to violate the Budget Act, you are not free to raise a point of order and have the parliamentarian rule as to whether or not—

Mr. MICHEL. The problem is when the Rules Committee up there protects it from raising that point of order, we are foreclosed.

Chairman BOREN. So the Rules Committee—

Mr. MICHEL. That has been pretty much of a common practice.

Mr. DREIER. By the way, I vote against those waivers.

Chairman BOREN. That really makes it impossible, then, to have the Budget Act really enforced if it is being flaunted in that way. What about the—in terms of appropriating or legislating on an appropriations bill or passing an appropriation for a program that is not yet authorized, has not been authorized, you cited \$31 billion. Yet Chairman Byrd, before this committee, he urged that we really find a way to totally enforce that rule.

He said rather than—of course, he was arguing against the proposal to merge authorizing and appropriating process, and he argued that if you really enforce the rule that you could not legislate on an appropriations bill and you could not appropriate for matters which were not authorized, and you could not exceed the amount authorized. He said that if the process worked as it should, it would really be a check and balance because the appropriating committee would be left to either appropriate at the amount authorized or a lesser amount, so that in theory if all the rules were enforced that it should be a break on spending rather than a sort of add-on with pork barrel projects and so on that were never authorized.

Would you agree with that and would you agree with the thought that perhaps we should require a super majority of some kind, be it 60 percent or something else, to waive that rule and allow—you could, I suppose, have an emergency where the authorizing committee simply failed to function, but you would have to do it wide open in the full House or Senate as opposed to in a committee, and you would have to do it with a super majority to waive that rule to allow appropriations for something not authorized. Would you support that kind of a restraint?

Mr. MICHEL. In that discussion that you alluded to with respect to Senator Byrd, I think I would buy that lock, stock and barrel as a concept, and the suggestion, then, if it is to be breached by having a super majority, when I served on the Appropriations Committee with my friend, Dave Obey, down there, and was ranking of my subcommittee for any number of years, I always stuck to the rule. I have no authority to appropriate for that which I haven't got the authority to appropriate for.

Now, you either have a rule and abide by it or you continue to breach the rules and then we are always subject to somebody's whim. I just believe more in establishing rules and sticking with them so that everybody knows exactly how they can operate, and Senators, we differ on a few things, probably the line-item veto, but on that one I would surely have to agree with him as a general concept. And since we refer, for example, in our balanced budget amendment process to three-fifths, I think we ought to be talking always about super majority is three-fifths. There are other people

who use different, but we ought to have one established figure and stick with it.

Chairman BOREN. As I understand it, we have, of course, differences in the structure of the Budget Committees of the two Houses now. We have on the House side a rotating membership, every six years Members rotate off which would seem to have a certain, in some ways perhaps a good side to it in that more Members will become familiar with the budget process.

On the Senate side we do not. We have a permanent membership of the committee. We do not necessarily have leadership involved, and, of course, we don't have the—we do not have the budget resolution now acted upon by the President. As I understand it, you would change the current, you would not, no longer have separate Budget Committees. You would have a Joint Budget Committee, and how large would that Budget Committee be and would it be composed strictly of Chairs and Ranking Minority Members of some of the more critical committees, or how would you do that?

Mr. MICHEL. I must say that I haven't really given it that much thought on the numbers game, but—and, of course, we have a little bit different situation, then, too, in the House than you indicated in the Senate where we do have just this temporary membership or at least limited to three terms. I have had some real apprehension at times. I think there can't be any more important committee than that which sets these overall parameters for us, and we find ourselves appointing freshmen Members to the Budget Committee with very little experience unless they come from the legislature or some such thing, but we rationalize it by saying we ought to have a good mix, we ought to have some infusion of new blood or new ideas.

Then we also have a problem on our side particularly in the House where you are limited to committee assignments, that a Budget is a plum but you have got—you are building no seniority in those three terms. When you go back to the world of reality you are down at the bottom of the scale again so we have had to develop and accommodate by putting them on another committee and just in absentia they build up their seniority. If we are that pliable and flexible enough to make some accommodations, I think if we had a joint one we could do that between the two Houses.

Chairman BOREN. What would be the advantage, and would you also, by the way, have the President sign the budget resolution and bring the President into the process?

Mr. MICHEL. Because I think we ought to have them—we ought to all be in agreement or come to agreement, and the whole reason for my initially talking about a one-two step is that the President and the Congress have got to come to initial agreement here on what are the parameters, and then we can rework them within the parameters, and, of course, if the President—that gives the President an opportunity to veto it, too, send it back, say look, can't quite take it like that.

Chairman BOREN. So the Joint Budget Committee would report out the budget resolution which would ultimately go to the President for signature. Would it then automatically go to the House first, then follow back to the Senate?

Mr. MICHEL. I suspect that is right.

Chairman BOREN. Because of the taxing matters and so on that would be included in it.

What would be the advantage, the main advantage as you see it of having a Joint Budget Committee as opposed to two separate—

Mr. MICHEL. Maybe to save some time. I don't know. I would like to think it would save us some time or speed up the process. You can only go so fast, but admittedly now it is brought to mind in this year particularly, although I am really kind of surprised that the system is moving as speedily as it is. Now, I guess the real point is you all got control of everything, you know, Democrats have got control of the House and the Senate and the executive branch, and that makes for more of a kind of a team work operation, let's face it.

I was trying to figure out how much today if we were just looking today, Bush would have been reelected, how much this process might have been slowed down because of the differences that exist. There would surely be some. I don't know how much, but we have got to think of those different possibilities in the future because they will recur from time to time.

Chairman BOREN. You have certainly given us a lot of—I have not gone back over some of the ground on the budget balancing and line item and other matters because they are more familiar to us, but you have given us a lot of very, very good ideas to reflect upon, and we look forward, as we get into our deliberative stage, once the hearing stage is finished, have you and the other three leaders very much a part of the process, the deliberative process of this committee. Let me turn now to Mr. Allard.

Mr. ALLARD. Thank you very much, Mr. Chairman. I would like to welcome Congressman Michel here to the committee, and I was very interested in your testimony. The years of experience that you had here I think is very beneficial to this committee, and it is good that we can hear from you.

I am as concerned as you are about what is happening on the Floor of the House with the rules where we are continually restricted on the amendments and debate and our voice is restricted on the House Floor, and would you say that with all these rules and regulations that we are skewing the process towards more spending?

Mr. MICHEL. Well, I don't know if I could make that flat out statement. I just look at the complexion of the place upstairs, and we are sure headed that way in this year.

Mr. MICHEL. It doesn't have to be that way, but let's face it. It all depends on what the philosophical bent of a majority of Members have with respect to that issue of Federal spending.

Mr. ALLARD. Well, I would just like—I have limited experience, but what I have seen has happened in the two years I have been here. It seems like everything sort of skews toward more spending. There are lots of individuals, both parties, on the Floor that want to make amendments that would reduce spending, particularly this year, and those aren't being allowed to be made on the Floor because they are afraid they are going to embarrass some Members or it might split up one coalition or another, so I have always—just observing this year, it seemed to me like it did have an impact on

motions that ordinarily would come to the Floor to reduce spending.

Mr. MICHEL. Well, the unfortunate part about it is that, a thing I have certainly noticed over the last—well let's say since the last ten years particularly you get recessions, and people looking for stimulant to prime the pump, to get people back to work, then the pressure is brought on individual members, what are you doing in your ombudsman role to spark up things in your district?

Now, if that is multiplied 435 times in the House and 100 times in the Senate, you have got nothing else but increased spending. I am reminded of how my first charge to come to Congress from the Junior Chamber of Commerce is, Bob, we want you to go be a spokesman for private free enterprise, reduce the cost of government and get it off our back, and then in more recent years, my largest news organ as a standard measurement of my effectiveness is how deep can old Bob get his hand into the Federal till to match those of everybody else.

As a matter of fact in an editorial, "Bob, we want you to be a pork producer and we are not talking about the ones on the farm." Now, when you get that kind of attitude at home, you know, on bearing down on the individual Member of Congress and their standard of measurement of your effectiveness is not how much you can reduce the cost of government or downsize it, the unfortunate part of it is there is just too many goodies out there that people would like to have a little taste of, and if you can produce it for them, you are popular, and the other way you are unpopular. It is reduced to that unfortunately.

Mr. ALLARD. Well, you bring up the issue of pork barrel spending. I have been a strong advocate of constitutional line-item veto. I thought you brought up some good points as it applies to our tax code, too, because you can create some advantages for certain special interests in your tax code.

Are you thinking in terms of a constitutional amendment for both tax and appropriation line-item veto?

Mr. MICHEL. Well, this morning I had a rather interesting discussion with our Ranking Member on Ways and Means, Bill Archer. He suggested, you would say targeted tax items, and what is—how do you define targeted. If it is a tax provision that affects one business, it may affect two. Where do you draw the line?

He has got a good point, and maybe we want to think in terms of reworking our language a little bit more generically, but I tell you, you get too far away from it, then you lose the specific purpose for which it was intended, and I think today I didn't have much trouble. I will tell you, as my testimony will show in the extended part of those 51 provisions turned out to be trinkets or targeted items.

Mr. ALLARD. Trying to think aloud with you a little bit and what has been said from your discussion with members on the Ways and Means, maybe it would be appropriate to have a constitutional line-item veto on appropriation matters which maybe it is a little clearer cut than it would be maybe on tax issues, maybe make it a statutory type of proposal.

Mr. MICHEL. Well, I have only recently come around to really advocating a balanced budget amendment. Quite frankly, I have always been a little reluctant to toying with that document,

amending the constitution for something we can't get otherwise and even for those advocates who think it is a means by which you control spending, it sure as heck doesn't assure that you are going to have no tax increases because you then are obliged by what you have really cemented into the Constitution matching those figures, and we have been pretty deficient in doing that, so it certainly is no automatic thing that you are only going to cut expenditures and taxes will never be raised. You are kidding yourself if you think that.

It took me a long time to come around to advocating it because of that reservation, but we have just made such a mess of it for so long that, you know, I guess you get to the point where you just about throw up your hands and say, well, let's try something new.

Mr. ALLARD. Thank you, Mr. Chairman. I realize I have gone over my time. I appreciate your indulgence. Thank you.

Chairman BOREN. Thank you, Mr. Allard.

Mr. Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Bob, it is great to hear your words of wisdom. Let me just try on for size for your counsel some thoughts I have had as we have listened now to several hearings on the budget. In one of the first hearings our colleague on this committee, Senator Kassebaum, presented a plan, and that stimulated additional thought as she made her presentation and answered questions. She suggested a leadership committee in lieu of the Budget Committee.

In other words, the process would start with the Chairman and Ranking Member of each of the major committees, probably also with the Majority Leader and the Minority Leader, maybe with the Whips, but it would be a leadership group that would set the parameters of what we were going to do, and come forward with a budget resolution, in essence, giving the expertise of each of the subject matter areas as well as an overall consideration.

Now, one thought that was stimulated by the discussion of Senator Kassebaum's amendment and some other testimony is with what kind of dollars do you start the discussion? One of the witnesses pointed out that we now start with so-called real dollars which means last year's dollars plus inflation, and that this is the base line. The base line this year is approximately 3 percent higher in everything, and therefore things are gauged in terms of an increase in spending or a decrease in spending from the base line, not from the actual dollars.

In my own notes I sort of scratched a note to myself, "start with real dollars." The American people understand the same dollars, and we are creating literally a deficit of sorts each year by increasing by inflation, and compounding our error. So I would, at least as I have scratched out notes, I would start with this leadership committee and real dollars to be started out with last year.

The second major point that we got into with the Kassebaum discussion was should this committee—

Mr. MICHEL. Senator, if I might interrupt for just a moment, and I have no problem except that when you include leaders, and you have all observed how little I can attend this committee's function or the other leaders, too, for that matter, we are so burdened and so loaded down with obligations, what we have done in the House

is I have my leadership appointee to the Budget Committee currently, Alex McMillan, and on the Democratic side I am not sure who the leadership appointee is, but he can't become the Chairman or the Ranking Member, but to sit right up there right under either the Chairman or Ranking Member as our leader.

Now, other than that—the other point might be up to this point in the discussion is that you make—it lends itself to our getting more and more away from what I would call, I guess, for lack of a better term, zero-based budgeting right of review. That is why I would always like to retain the Appropriations Committee process in the authorizing. The only oversight on many of these programs is what the annual review in the appropriation process gives you because the legislative committees generally fail to do their job.

Senator LUGAR. Well, let me then—maybe I should amend my thoughts to leave out the leaders because they are overburdened, maybe just have the Chairman and the Ranking Members. If the leaders would not feel insulted to have been left out.

Mr. MICHEL. That is a good place to start.

Senator LUGAR. Then the big question is what does this leadership committee deal with? The Kassebaum amendment started out with the thought that it would be the discretionary programs as opposed to the entitlement programs.

Now, as you have pointed out, 60 percent to two-thirds of all the money is entitlements, so by far the bolder idea is that it would deal with everything, entitlements and discretionary every year, which means, for example, in the food stamp program, which is in my area in agriculture, we would take up that every year.

Now, some people would say well, how can you do that? After all, if you qualify for the stamps, you get them. It is simply the duty of Congress to appropriate enough money to fulfill that obligation, but as we are in a case of reform, maybe it would say our Nation can afford only \$25 billion a year for food stamps, come hell or high water, that is it, \$25 billion, so you will have to tailor the requirements to meet the 25, not have the requirements and then do whatever you need to do, but that is a very bold maneuver, one that I think has a lot to be said for it. We put everything on the table every year.

Now, beyond that, then, we have a major committee like Foreign Relations, Agriculture, Armed Services that proceeds to authorize and appropriate both. In essence it authorizes what would be useful to do but it is constrained by this leadership group, this Budget Committee, to make sure we do not do any more than we can spend for, so it might say to some groups in society, we think you have a good program, but we can only do half of it this year or it is going to have to wait for three years from now, and oversight occurs, review in that process, but we wind it up at that point.

We know from the beginning what our constraints were, and we have experts that finally decide what the best programs are. The thing I would ask of you is, you have suggested maybe in this budget step it ought to be a joint Senate-House committee to begin with, which is an intriguing idea. Maybe you begin to get a better view if you are sitting out there as a citizen of this Nation and you have the House and the Senate dealing with the thing from the beginning as to how it is all going to come out, and maybe this is un-

wieldy, but I ask you just for your judgment, given all of the rest of this constrict that I have suggested.

Mr. MICHEL. Well, and there is the danger of it being too unwieldy and too large when it is a joint—when we would have to tailor that down. I personally happen to like—they can fault our system around here on both sides of how people become Chairman and Ranking Members of their committee, but after all, it can be changed, too, if it is required or if somebody defaults on their role or their obligation there, I think the majority rule usually can change that, but that is a good nucleus from which to start.

Your mention, Dick, of food stamps, I remember when that was a \$20 million pilot program, and now, what, \$28 billion?

Senator LUGAR. Not that high. I use that—but, nevertheless, we are getting close to that, with an all-time high unhappily of over 10 percent of our population on the stamps. Thank you very much.

Chairman BOREN. Thank you, Senator Lugar.

Vice Chairman Dreier.

Mr. DREIER. Thank you very much, Mr. Chairman. Let me first say to you, Mr. Leader, that I very much appreciate the opportunity to serve as a member of this committee and in my position as a Co-Vice Chairman I have to say that I wondered slightly about how much I enjoyed it when I walked into the room to see our former colleague, Mr. Gradison, looking extraordinarily rested and relaxed as he prepares to testify before us.

This is a challenge, and I would like to say that based on what you have just said, it seems to me that one of the greatest reforms that we could possibly come forward with would be to see us simply comply with existing rules of the House, and that, to me, is a very disconcerting commentary on where we are.

We had a long, very interesting conference this morning, Republican Conference, in which we talked about this problem, and it seems to me that as we look at the problems that we are having now in the House, again serving on the Rules Committee with 100 percent of our rules having come forward in a restrictive capacity, it seems to me that these developments are going to make our work on this Joint Committee even more challenging, and I guess what I would like to ask you, Mr. Leader, is, this is slightly off the subject, but I am going to take advantage of your presence here. I know that the commitment from our side is very great for this issue of reform.

Based on the developments we have seen on this rules issue over the past several weeks, what do you see as the commitment from the leadership on the other side of the aisle towards the work of this committee?

Mr. MICHEL. Well, we had a very interesting meeting the other night, I guess it was last evening, for over an hour and a half because of the kind of things that are going on, and they are extraneous really to what the real key issue is, and that is opening up the process for more and more Members.

Now, it may be heresy to even think in these terms, but I know, there are just four of you on our side on the Rules Committee and you are never going to win one vote during the course of the year on anything. Now, I can recall being around here when there were actually divided votes on the Rules Committee on both sides based

solely on the issues. I could conceivably ask all four of you to just resign your position from the Rules Committee.

Mr. DREIER. Then I could spend full-time on the Joint Committee on the reform of Congress then.

Mr. MICHEL. That is right, because you become incidental to the process. If not once, do you get an opportunity to make an impact. If it is all dictated from on top, and that is it and there is no way to overturn that, you know, it isn't all together outside the realm of possibility that maybe you are just, you know, irrelevant to the process.

Now, it is pretty strong, and I think that would reflect—it would maybe cause some people to think the second time around whether or not that is really where we want to go, but I will tell you, as much as I—you know the institutionalist that I am, and I believe in abiding by the rules and we get some Members who, yes, even by abiding to the rules it appears to be somewhat obstructionist from time to time, but when you are just so completely frustrated at not even being able to get the time of day in this legislative business, why, you resort to some rather extreme measures sometimes to just wake people up to the fact that it is that bad.

Unfortunately I began—or fortunately when I began my career, it was with Speaker Rayburn, and since those days it just seems like things have become tighter and tighter and tighter.

Mr. DREIER. Senator Boren's father was a Member of the House, and he was just demonstrating to me his surprise as he did in his questions to you about the fact that the process is so closed now, preventing Democrats or Republicans from having the opportunity to participate. Frankly, Mr. Leader, you may not know this, but those of us on the Republican side of the Rules Committee have often been offering Democrat amendments when Democrats have come before the Rules Committee, making the request to have an amendment made in order and they are denied it by their own party, so we offer their amendments, and again have a party line vote on that, so it is—

Mr. MICHEL. As the gentleman knows, I see nothing wrong, for example, in having a week's debate in the House. It is routine in the Senate, but for us to have an hour debate, you know, for-against or one substitute on some real significant piece of legislation, when we have coming up reconciliation, health care, campaign reform or whatever, and to limit that to one or two hours, it just absolutely demeans the process and is ridiculous, and—

Mr. DREIER. Based on this, though, do you think we are going to have a commitment of support from the leadership?

Mr. MICHEL. Well, it was a good meeting last night. Now, I think the leaders have always got to be able to talk, and I am willing to do that. Maybe if we move to each of our policy committees on both sides, hey, there has got to be a representative group of people here and not a lot of free-lancers out there doing their single thing, because we are dealing with the whole here, and then maybe it is a blessing in disguise to have a break for Easter if we can get things started and then come back with a fresh start. I certainly hope we can do it.

Mr. DREIER. To get back to my original point, it is rather disconcerting that our goal now is to simply get this institution to comply

with the standing rules of the House, much less consider the proposals which we hope will emanate from this Joint Committee on the Organization of Congress, and we hope will have the support of both sides. I appreciate your statement, although I hope that tomorrow's Los Angeles Times doesn't have a headline that says, "Republican Leader Says Dreier Irrelevant."

Mr. MICHEL. I am sure that will not be the case.

Mr. DREIER. Thank you. Thank you very much. I had a couple questions I was going to ask on the budget, but my time is up.

Thank you very much, Mr. Chairman.

Chairman BOREN. Thank you very much, Vice Chairman Dreier. Let me turn now to Senator Kassebaum.

Senator KASSEBAUM. Mr. Leader, it is a great pleasure to hear your analysis because you, of course, bring a great deal of experience and have seen so many changes take place.

Following you testifying, of course, today is someone from the Senate side who brings that same experience, Henry Bellmon, as Governor and Senator, and former leader of the Budget Committee when I first came to the Senate, and an appropriator as well. I think we can all learn from the kind of experience and integrity that both of you have brought to the process. I would like to explore further, because I was going to ask you about the entitlement part of the budget. I think we are all concerned how we can better handle that, particularly as we are moving more and more to making many aspects of the budget entitlement.

With full funding for whatever initiative one wishes to consider, we then have a new entitlement, and I think before we know it we are going to have it grow and grow. Would you be supportive of ending all entitlements except social security and moving it through the appropriation process, the annual appropriation?

Mr. MICHEL. I am trying to think, and-but it could easily be found out with a little research, before 1974, how much of our budget was really involved at that time in entitlement programs?

Now, the big push came, of course, when we finally realized we are going to deny President Nixon line-item authority, you know, every President from early on through that time used that—or they just refused to spend if they didn't think it was necessary, and to overcome that, you remember in the House we, post Watergate, it was a big freshman class. We are going to overcome that baby by writing the legislation in the form of entitlements so there will be no doubt about its being spent, and, if not, we will go into court and make our case, and, of course, then, it has just exacerbated since that time.

And what it does, it is an engine that drives itself and there is very little, and, unfortunately, most of those programs are the sensitive ones that the minute you even talk about we are going to look at, it suggests to a pressure group out there that we out to maybe restrain it, not really X it out or even cut it, restrain the increases that are automatically built in the process.

Quite frankly, even on these indexing of programs or of COLAs, you know, if it is always just right up to the maximum, there is nowhere else to go but there. If it is slightly, just a little nick in it and the billions of dollars that eventually add up to savings, you know, it would be worth our doing it.

Senator KASSEBAUM. Well, too, to give you an example that I think we all support the programs, one is student loans, the other is Head Start are headed now for full funding, and without, as you say, it is difficult to make the case that we really ought to be thoughtful about how we approach this, and I think that actually the appropriators have indeed been the gate keeper because many times the authorizers can say, well, we have authorized it to constituents who want more funding, and the appropriators were the ones who blocked it, so it has served as a convenient excuse and scapegoat many times for us, again, being willing to debate the substance of the issue. But what I really appreciate are hearing your thoughts just about the process and a very genuine expression of the frustration that I think many of us feel on what we can do to improve it.

It is not only the rules of the House, but it is the rules of the Senate that we frequently ignore as well.

Thank you very much.

Chairman BOREN. Thank you, Senator Kassebaum.

Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman, and Congressman Michel, it is a pleasure to see you. I want to say that while you are viewed, and appropriately so, as a partisan leader of the Republican Party, I don't know of anyone who has a reputation of being more fair-minded than you are, and I really admire the work you have done over the years in the House and continue to admire it today.

You pointed out something that has struck a nerve certainly with me and I think with most of my colleagues here. I have always believed that the gravest, the most melancholy wounds are those that are self-inflicted, and the reason that Congress historically has enjoyed such a low level of esteem among the American people is because we in office have inflicted the wounds of that disregard or low esteem. We are the ones who are constantly running against the institution, and so you have a situation in which your success back in your home district is now measured by how much quote, "pork" you can bring home.

At the same time, while you are measured successful, if you can bring a big slice of pork to your home district, the Nation is left to wonder why it is now suffering from a massive case of trichinosis, unexplained case of trichinosis. That has been going on and on for many, many years, and the fact is that you are now asking for a new test or measure for success, which is really the old test, and people like yourself, Bob Dole, Pete Domenici and others have long been seen as sort of old-time conservatives.

You are not movement conservatives, you are not sunny supply siders, but rather dark-looking at the dark side of the moon, talking about pain.

Mr. MICHEL. Kind of dull.

Senator COHEN. Talking about sacrifice, talking about deferral of gratification, talking about balance, and it seems there is a wonderful line from a poet that says we are explorers. We shall not cease from exploration, and at the end of all that exploring will be to arrive at the place we began and know it for the first time. We are

finally coming around the circle to the place where we began a long time ago, talking about those old-time values.

There is a reason for that, and it comes in the personality, if not the person of Ross Perot, who is a gentleman who provokes either great admiration or indeed great hostility. Some even will say contempt. But nonetheless, he is lending considerable weight to the effort that you and Senator Dole and Domenici and others in the Senate and your colleagues in the House have been waging for quite a long time now, and that is to talk about balance and about balanced budgets and about restraint, and how we can get back to some really solid values that used to govern this country which are no longer in play.

We have a stimulus package up on the Floor right now, as a matter of fact. You talk about the frustration you feel and how you are hamstrung by the House rules, we can't even get votes up in the Senate, which is regarded as having perhaps the loosest of all rules in a democratic system. We can't get an opportunity to vote in a substantive way upon measures which we feel ought to be explained to the American people.

It is a 16 to roughly a \$19 billion package, and it is loaded with those thin and sometimes large slices of pork, and we can't get them out. We can't get them out right now, and we are not going to have an opportunity to do that because of procedural rules, so what you are saying today, I think, strikes quite a responsive chord with those of us on this side, at least. I am sure there is probably disagreement with the chairman of the committee who is serving here right now in terms of his position on this, but not a substantial difference of opinion, maybe perhaps from a political partisan point of view.

I would like to come just quickly to the issue of balance in terms of balanced budgets. That is something I think most of us are coming around to support, something that you have been out there in the vineyards for a long time advocating, but when you speak of a line-item veto, a constitutional amendment, it is unlikely we are going to achieve that, not in your House and certainly not in the Senate itself because there is a genuine concern about the shift of power and to give too much control to the executive, but there is also a measure. There is one pending in your House, in the House of Representatives and one in ours called expedited rescission, which, at the very least would call upon the House and the Senate when the President sends up a list of those items that should be stricken from an appropriations bill that right now the system is we don't have to vote on it. We can just disregard it, and it falls to the wayside, dies on the vine as such.

What our expedited rescission measures would do, and the one, I think it is the Stenholm bill in the House and our own in the Senate, is require us at a minimum, at a minimum to simply vote within a 20-day period so that the public can see which Members are really going to measure up to their responsibilities. And if the item in the budget has merit, we ought to at least be willing to debate it fully and openly in front of the American people, and I hope that there will be bipartisan support for that measure in the House and the Senate as well.

I wanted to thank you for coming. I will read your entire testimony, and that of those who are going to follow, Senator Bellmon and others who are coming. Thank you very much.

Mr. MICHEL. Thank you.

Chairman BOREN. Thank you very much, Senator Cohen. I was heartened by your view that the Republican Party was in the process of finding itself and its old values again.

Senator COHEN. You bet, we are coming back.

Chairman BOREN. That was very heartening to me listening to that.

Seriously, Mr. Michel, we appreciate you being with us, and you have given us some excellent suggestions, and I want to assure you we will take them very seriously, and we look forward to your participating in our deliberations as we move toward the recommending phase of the committee's work. We thank you very much for taking the time to be with us.

Mr. MICHEL. Thank you, Senator, all the members of the committee. I hope I can really join you in a more active way one of these days.

Chairman BOREN. We look forward to it. I am going to ask now if Senator Bellmon and Representative Gradison would join us at the witness table. They will testify as together, the two of them.

The first member of that panel will be Senator Henry Bellmon, former Senator Henry Bellmon, who served as Governor of Oklahoma before being elected to the United States Senate in 1968. Let me say served briefly also in the State legislature in Oklahoma before he became Governor. During his years of service in the Senate he served as the first Ranking Member of the Senate Budget Committee, and I might say we had hoped to have former Senator Muskie with us today. There was a scheduling conflict, but we look forward to getting his advice as well.

Senator Muskie and Senator Bellmon, at that time, served as the original leaders of the Senate Budget Committee. After leaving the Senate in 1981, let me say that I have always worried because I was elected to be Senator Bellmon's colleague in the 1979 election, and about a week later he announced that he was going to retire from the Senate.

I have always hoped there was no causal connection between the two. In all seriousness, it was a real pleasure for me to have the opportunity to serve that first two years of my time in the Senate with Senator Bellmon as my senior colleague. He is a person of great integrity, as all of us in our State know. We take great pride in his public service and it made my coming to the Senate much easier to have him as my senior colleague because he always approached every issue without regard to partisanship and what was best for the country, and we had that kind of relationship, and it was one that means a great deal and continues to mean a great deal to me.

After leaving the Senate in 1981 he went on to be the cofounder and cochairman of the Committee for a Responsible Federal Budget, and that committee has continued to have an impact, a positive impact, I might say, in terms of trying to reduce budget deficits and to bring our budget back in line. He also has since then served as the Director of the Oklahoma Department of

Human Services and was recalled, in essence, by the people of Oklahoma to come back and serve again as Governor of the State of Oklahoma, elected Governor again in 1986. So he has had a very distinguished career of public service in our State.

Let me say that we also welcome today Bill Gradison, who was a Member of the House of Representatives from 1975 to 1993, representing the Second District of Ohio. Before leaving the House he was one of the founding fathers of this Joint Committee. He served for a brief period as the first vice chairman on the House side of this committee, and many times in the process of working to get this Joint Committee established we met together, worked together, and without his efforts on the House side I am absolutely convinced this committee would never have come into existence, so it is a real pleasure to welcome him back with us today as well.

I do have a statement regarding representative Gradison's testimony, and I ask unanimous consent that it be included in the record at this point.

"I would note for the record that Mr. Gradison is appearing today because of his status as a former Member of Congress, and a former ranking Republican Member on the House Budget Committee. His special knowledge in these particular areas are the subject of this hearing. As many of us know, in 1989 we passed legislation that applied a 'one year' ban on contacts by former Senators, House members and certain staff. However, because Mr. Gradison is appearing here today as an individual, representing only himself, his appearance is an exception to the one year ban."

Chairman BOREN. Without objection it will be done. We are again very pleased and honored to have both of you with us. We appreciate your taking the time to come and share your thoughts with us and to be our concluding witnesses on this section of our hearings dealing with the budget process.

We will start first with Senator Bellmon.

**STATEMENT OF HON. HENRY BELLMON, A FORMER U.S.
SENATOR FROM THE STATE OF OKLAHOMA**

Mr. BELLMON. Thank you, Mr. Chairman. I would like to commend Senator Boren and other Members of the Joint Committee for convening these hearings.

You have certainly undertaken an essential but thoroughly difficult task, and the confidence of the Nation in Congress can be heavily impacted upon your conclusions and the actions that follow when you have completed your deliberations.

Mr. Chairman, it is kind of a coincidence that the last speech I made on the Senate Floor back in 1980 was on the subject of congressional reorganization and budget process reform. So this is almost *deja vu*.

I was interested in many of the comments Mr. Michel made, and there will be some redundancies between what he said and what I say, and I apologize for that, but I didn't know what he was going to be saying.

Let me first say, no plan to better organize the Congress and no budget process can substitute for political will. The Congress, no matter how it is organized, no matter how effective the budget

process, elected officials must make some tough choices. And there is no way to get away from that, and we shouldn't condemn the budget process because those choices aren't made.

If I could do one thing to help Congress today, I would simply recreate Senator Muskie as Chairman of the Senate Budget Committee. The contribution he made, the courage and leadership he demonstrated in those early days of the budget process can't be overstated.

I hope you will give the Senator a chance to comment because I am sure many of the things he would have to say would be invaluable.

I might also say at this point that Susan Tanoken and Carol Cox of The Committee For A Responsible Federal Budget, have helped me with the testimony. If you would be interested, they would be available to offer testimony.

Frankly, I am flattered to be invited back to testify today, and I find that my thoughts aren't that much changed from what I said back in 1980. I might also confess I am a little bit frightened because Congress must be getting kind of desperate when you invite a retread back after 12 years' absence. Most of those 12 years I spent chasing cows across the Oklahoma plains, and the budget process has been the furthest thing from my mind.

I would like to submit a copy of my 1980 speech for the record. It has been turned over to the staff.

Chairman BOREN. It will be received for the record.

[Former Senator Bellmon's written testimony before the Senate in 1980 is printed in the Appendix.]

Mr. BELLMON. I am less sanguine than I was then about the ability of Congress to enforce spending limits through points of order. Those don't seem to be working as well as they once did. Instead, I have come to the view that Congress needs statutory spending limits backed up by automatic across-the-board cuts which have come to be known as "sequestration."

I will focus on four points today. Others have testified in support of similar comments. For instance, the Kassebaum-Inouye bill would accomplish much of what I am going to propose.

I am going to talk about, basically, four things: First, that the United States move to a biennial budget and appropriating process. It seems to me the annual process as we go through here are so time consuming, they take so much effort on the part of so many Members, that they make it difficult for Congress to handle the other responsibilities that the body has.

The way it would work, in my judgment, is that in the odd-numbered years the President would propose and Congress would act on the budget on spending and tax legislation. In the even-numbered years, Congress would consider substantive legislative proposals, conduct meaningful oversight, monitor and evaluate programs, authorize and reauthorize spending.

It would go on a two-year cycle, the first year you appropriate, the next year you deal with the substantive legislative proposals and oversight. I would recommend that Congress give the President more flexibility to execute and implement policy, fewer set asides and earmarks, and broader reprogramming authority.

The second point, in the new system the House and Senate should combine authorizing committees and appropriation subcommittees. You put the two together. Authorizing committees, in my experience, have minimal spending restraint. It is often the case that the authorizing committees simply put in the language saying they authorize whatever is required. It is obvious that the authorizing committees have very little concept about what is available to spend. And by putting those together, that awareness should be enhanced.

Every Member would then serve on a tax writing committee or on one of the combined authorizing-appropriating committees. So every Member would be involved in the process during this one year when you are dealing with the appropriations and budgeting.

The third point, in order to give the process more clout and provide stronger leadership, the Budget Committee should be reconstituted as House and Senate committees on National priorities. They should be Leadership Committees comprised of the Chairman and Ranking Members of the Tax Writing and Combined Authorizing/Appropriating Committees. The new committees should be given jurisdiction over legislation affecting the Budget Act and process.

If the House and Senate do not adopt a conference agreement on the budget by a certain date, the appropriations process should move forward based on the limits contained in the President's budget. There wouldn't be any hang ups for lack of a budget resolution because if the Congress can't agree, we simply use the President's numbers for the appropriating process to begin.

The fourth point: The Congress and the President should agree on binding spending limits, including limits on entitlement spending. That is rather drastic, but I would suggest that the spending limits include entitlement spending, the same as discretionary. These limits should be written into law. If spending exceeds the limits, automatic cuts, like sequestration of the 1990 budget agreement, should eliminate the overage.

In addition to those four points, I would like to make some additional comments on budget process reform.

I support the line-item veto. As governor and as Senator from Oklahoma, I know. We have had the line-item veto in our constitution forever. I don't see how you can govern a state without it.

But I understand that here at the national level, it might require time-consuming constitutional change. As an interim measure, I would recommend a system of enhanced rescissions which are needed as an effective statutory alternative to the line-item veto. The President should not be forced to choose between vetoing massive appropriations bills, providing funding for whole departments and agencies—in the case of continuing resolutions, funding for virtually the entire Federal Government—or signing into law appropriations projects he considers to be wasteful.

Congress must allow the President more latitude to manage the day-to-day business of government efficiently and effectively.

I say this, it doesn't matter who the President is, he ought to be given greater flexibility.

Any effective budget process must be universal, open, and understandable and enforceable. All program costs should be on budget.

Congress and the administration must set firm, multiyear spending limits and live within the limits they set.

Recent experience suggests that the problem does not lie chiefly in the budgets that are adopted. The problem lies in enforcement of the budget once it has been adopted. Over the last decade, actual deficits have averaged \$42 billion per year more than the deficits contained in the budget resolutions Congress adopted. In one year, 1989, actual spending was almost \$85 billion higher than the level in the budget resolution.

So the budgets have not been the problem. The problem is that the budgets have been busted.

Only interest should be exempt from expenditure limits and sequestration. Expenditure limits should be adjusted annually for changes in unemployment, inflation, and case loads. So-called "technical adjustments" should be limited to timing shifts, like the delay in spending for the savings and loan bailout. Technical adjustments should not be a guise to make up for mistakes in our estimates of the likely cost of spending and tax policies.

Congress should stop trying to fine tune fiscal policy for every blip in the business cycle. Leave economic stabilization to the monetary policy process. Fiscal policy changes are too cumbersome, too political, too tardy, and too tiny to achieve meaningful, timely results.

I would support the creation of a Fiscal Policy Advisory Board composed of leading economists or budget experts chosen by the President and by congressional leaders to comment on the assumptions and estimates underlying budgetary proposals. Members of this board should not be government employees. They should not generate forecasts nor make budget estimates. Their task should be to provide nonpolitical, professional comment on the forecasts and estimates made by official government agencies in the manner that they are presented. The board also might comment on the quality of the data, based on which government makes major economic decisions.

The deliberations and conclusions of the board should aid public understanding and improve the credibility of congressional decisions.

The expenditure side of the budget should include a small reserve, under the control of the President, against contingency liabilities and emergencies. Even the governor of Oklahoma has access to such a fund like that.

Summing up, let me just say I feel the President needs to be given greater flexibility to be the President and be the Nation's chief executive.

There are a few housekeeping details I would like to mention about the budget process.

There should be a statutory requirement that every budgetary proposal provides certain information in a consistent format, such as budgetary authority, outlays, revenues, deficits and debts, aggregates and committee allocations, functional totals, or budget categories, whichever is the basis for scorekeeping and enforcement.

Another point, there is a need to build an informed constituency for spending restraint. To me, one of the biggest weaknesses in the budget process, is that we have a great constituency for spending

but no constituency for restraint. That is one reason we put together the Committee For A Responsible Federal Budget.

As an example, each time the IRS mails out tax forms, they might include a "box score" report to taxpayers something like a table I have listed here.

It would include: "Spending caps recommended by the President," "Caps adopted by Congress," "Any Revisions to the Caps during the Preceding Year," "Actual Spending compared to the Caps," "Revenues," "Deficit," "Increase in the National Debt in the Preceding Year" on the basis of the total in the per capita.

Since I left the Senate, I have served with Bob Giaimo, who is a former Chairman of the House Budget Committee, as the co-Chairman of the Committee For A Responsible Federal Budget. I have with me some materials describing what the committee calls the "Truth in Budgeting" proposal. These proposals were developed during the debate on the 1990 budget agreement. These materials compare that proposal with the Budget Enforcement Act, which is part of the 1990 budget agreement. These materials spell out in more detail the committee's recommendations for a budget process change that we believe needs to be enacted as a part of the deficit reduction legislation this year.

And I would like to submit those for the record, if I may.

Chairman BOREN. We would be happy to receive those for the record.

Mr. BELLMON. Mr. Chairman, to conclude, let me, again, stress the four points: Congress should adopt a biennial budget and appropriating process, go from one year to two years.

Congress should combine the Authorizing Committees and Appropriations Subcommittees. Each Member should serve on a Tax Committee or one of the combined Authorizing-Appropriating Committees.

The Budget Committees should be reconstituted as House and Senate Committees on National Priorities. The Chairman and Ranking Members of Taxing and Appropriating Committees should be Members of the Committees on National Priorities.

Congress and the President should set binding spending limits, including limits on entitlements. These limits should be written into law and backed up by automatic cuts similar to sequestration under the 1990 act.

The Federal budget process is decentralized with a vengeance. Many executive branch agencies, many congressional committees and subcommittees go through many steps each year until it seems that no decision on spending and tax policy ever is final. The process is replete with duplication, overlap, and redundancies. Complexity, compounded by confusion, undermines accountability.

We speak of so-called "uncontrollable spending" as if those Federal outlays resulted from natural laws rather than statutes enacted right here on Capitol Hill. Any of those statutes can be changed by Congress with the President's concurrence.

The thrust of my recommendations is twofold: Make government and the budget process more accountable and understandable; and create real, political embarrassment when the President and the Congress fail to live up to the promises that are made in the budget process each year.

We need to be concerned about government accountability. The polling booth is the market clearinghouse for a responsible government. When government becomes so complex that concerned voters, willing to spend a reasonable amount of time, cannot understand what is going on in Washington, the system is in danger of breaking down.

But the budget is not the problem. The problem is that Congress and the administration fail to live within the budgets that have been adopted.

I am convinced that real, binding spending limits, covering all Federal spending, including entitlements, hold the key to serious budgetary restraint. Congress can balance the budget by cutting spending and/or raising revenues. But you will never reduce the deficit unless you agree that there is a limit to the amount of money that Congress and the President can spend and stay within those limits.

Chairman BOREN. Thank you very much.

[The prepared statement of former Senator Bellmon is printed in the Appendix.]

Chairman BOREN. I am going to ask Congressman Gradison to go ahead and give his opening remarks. Then we will address our questions to both of you.

Congressman Gradison?

**STATEMENT OF HON. WILLIS D. GRADISON, A FORMER U.S.
REPRESENTATIVE FROM THE STATE OF OHIO**

Mr. GRADISON. Thank you, Mr. Chairman. It is a great pleasure to appear here as a witness. I, of course, have to observe, it seems different from this side of the table. I had the honor to serve for 10 years on the House Budget Committee, and my remarks will be based upon that experience.

One of the things I learned from that 10 years of service is why there is a six-year limit. But I am glad I stayed with it during that period because it did give me a perspective which I am happy to share with you today.

Scholars and Members alike still debate what the purpose of the 1974 Budget Act really was, that is whether it was to reduce deficits or to establish an institutional framework within which fiscal policy can be debated and decisions can be made.

Those two goals are not mutually exclusive, and both are appropriate to consider as we reckon with whether some further changes are necessary.

The budget process ought to be overarching. It ought to be a system that provides a flexible, institutional framework. The structure of the budget process needs to be more rigid, in particular more rigid in the sense of ensuring that decisions made within the broad framework of the budget process are actually enforced, as Senator Bellmon has indicated.

It is inconceivable to me that the Congress cannot have a budget process, although there are many Members of the House I know, with whom I served, who wish the budget process would go away and prefer the old days. But the choice is really between a process that is really quite chaotic, as was the case before the 1974 Budget

and Impoundment Act, and various degrees of rationality which might substitute for it.

A rational budget process is needed in order to provide some degree of order, discipline, and frankly, even political cover in making these decisions. But a budget process can never substitute for what Congress doesn't really want to do.

In other words, the process can't force the Congress to do what it doesn't want to do. Nothing, including a better budget process, can substitute for leadership. But, of course, leadership is a relative concept. To have leaders, you have to have followers.

Perhaps the best thing for the budget process to do in terms of reform is to make institutional changes that increase the power of our leaders, not just in the budget process but more broadly as well as the power of the political parties within the Congress, a matter which I know has been on the minds of those of us who were involved in the creation of this committee.

Too often, budget process reform allows Members to avoid the much more difficult task of trying to figure out how to deal with the deficit. It was Rudy Penner, the former director of the Congressional Budget Office who said, the process is not the problem; the problem is the problem. I think that is true.

Some Members may find political comfort by focusing on process reform to the exclusion of those actions. And there are only two of them that can be taken—spending cuts or tax increases—that are necessary if the budget deficit is, indeed, to be reduced.

In other words, reform is not really an end unto itself. There have been a few things that I would like to share with you that I think we can conclude from our experience of recent years.

First off, Gramm-Rudman I and Gramm-Rudman II have taught us that focusing on deficit levels is unlikely to work. The game playing and creative accounting during that period was wonderful to behold; but the more you saw it from close at hand, the less attractive it looked. The Budget Enforcement Act, under which the Congress is now operating—which focuses on control of spending with its divisions between discretionary and pay-go categories and with the sequestration provisions—does provide a promising, workable framework with realistic enforcement.

One of the deficiencies of the 1974 Budget Act was its emphasis on one-year budgeting. Both Gramm-Rudman, in its various varieties, and the Budget Enforcement Act have moved the Congress somewhat in the direction of multiyear budgeting.

In other words, it is not a new idea. You are actually doing it right now. I want to support the notion that it ought to be continued. The problems which in my mind have occurred under the Budget Enforcement Act of 1990, rarely have to do with the willingness or unwillingness of the Congress to follow that act.

For example, frequent attempts to use—and a lot of successful attempts to use the emergency clause basically make the limits of relatively little significance. It doesn't seem very hard to waive the emergency clause.

Also, I think we have to acknowledge that under the Budget Enforcement Act of 1990 60 percent, fully 60 percent of the spending reductions which were to be made were to be made during the last two years, which is about where we are right now. And it seems

extremely unlikely, to say it nicely, that the savings which were contemplated—one might even say promised—as part of the Budget Enforcement Act of 1990, will actually occur.

Multiyear authorizations are another question which I know you have considered. I think they are a good idea, but I am not suggesting them, necessarily, with the idea that they would save any money. They might; they might not. But multiyear authorizations could lead—probably would lead to the committee's spending more time on oversight and, therefore, possibly to more effective government programs.

It is perfectly possible to have a multiyear budget and multiyear authorizations, as in the highway program, and annual appropriations. One doesn't have to move to—and I know there is resistance to it—a multiyear appropriations to move in that direction through multiyear budgets and multiyear authorizations.

Too often, specific reform proposals are debated on the basis of sort of a static analysis, whereas in my view a more dynamic analysis, including an analysis of the political impact of some of the things that are suggested, might suggest a different conclusion.

My favorite example is the debate over the line-item veto. My personal guess is that in the end all that will change is the process and that spending will not be lower and, indeed, might actually be higher under a line-item veto than it is today. Of course, this comment is based upon some understanding, or some thoughts at least, on my part as to how the existence of a line-item veto would alter the relations between the Congress and the executive branch and also recognizes the fact whoever is occupying the White House is chosen by the people and is a political person just like Members of Congress and may not always want to veto, even on a line-item basis, spending proposals.

I guess what I am really saying, Mr. Chairman, is that I think it is important to be careful not to overstate the joys and benefits of higher efficiency as the highest goal for congressional reform. The grand design of the Congress—indeed of the entire Federal Government—is rather conservative in the sense of having checks and balances within checks and balances and purposely making change difficult. And that is just as much a bane of liberals as it is a bane of conservatives. But I think it is a healthy aspect of our system and one which should not quickly be changed.

A couple of concluding thoughts: I truly believe, as others have suggested, that it would be wise for the budget resolution to be sent to the President. And, indeed, I would suggest that this is the very time to make that provision, Mr. Chairman, because today it doesn't seem necessary with one party controlling the Congress and the White House. And that is why I think this is the very time to put on the books the requirement that the budget resolution go to the President.

Some day we may again have a divided government; and at that time, that provision would be very desirable. And it would be at that very time that it might be hardest to legislate because of tensions between the two branches.

I also would like to say, with regard to the composition of the Budget Committee, that whether it was intentional or not under the 1974 Budget Act, the two Budget Committees have evolved into

leadership committees, exercising, in my view, a somewhat ministerial role.

I don't want to suggest they are irrelevant—completely irrelevant. But it has been a long time since those rare periods of bipartisanship, in either House, in the budget process.

Indeed, I am hard pressed to give any examples other than during the Muskie-Bellmon period when there was true bipartisanship in bringing budget resolutions to the Floor of either House. There are probably a few exceptions, but that was the great golden period of that sort of thing.

Today that is not the case. The Budget Committee is basically a leadership committee which suggests, to me, a couple things. There is nothing wrong with leaving it as large as it is, but it could be substantially reduced in size without having an impact, just like the Rules Committee which Bob Michel was complaining about earlier. I have got Mr. Dreier's attention.

The results are going to be the same, whether you have in the House an 11-Member or 30-Member—whatever it is today—Budget Committee. And I think it is useful to recognize that.

Thank you for this opportunity to be with you, and good luck in your work, Mr. Chairman.

Chairman BOREN. Thank you very much.

I think you both heard Congressman Michel talk about the possibility of a joint Budget Committee.

Now, each of you have served and provided leadership on the separate Budget Committees. How do you react to the thought of, perhaps, having a Joint Budget Committee which would be, to some degree at least, a leadership committee, and especially if you had the President involved in signing the budget resolution?

Would this lead toward a sort of consensus developing earlier on, do you think, possibly in the process in regard to the budget? Or do you think we should still keep the two Budget Committees separate? The two Houses?

Mr. BELLMON. Well, let me say—well, first let me say, I am not sure I am agreeing that the President needs to be required to sign the budget resolution.

He sends us his budget resolution when he sends us his budget. And whether or not there is any point in asking him to take a second look I really doubt. The creation of one joint Budget Committee, we almost have that now, we have a Conference Committee on the Budget. It seems to me that each House needs a vehicle to express its views before the two Houses meet in conference.

Mr. GRADISON. That is where I come out, Mr. Chairman. I also was trying to—you will have to help me on this. I was trying to think if we have had any Joint Committees which have legislative authority, that is can bring bills directly to the Floor of either House. Maybe there are some. But those Joint Committees that I think of offhand don't.

This is something to think about, but the two Houses aren't necessarily going to view these in the same way. And it might be better to have some clarification of their views and then work it out in conference.

There is another possibility—I know, not one that you necessarily want to consider seriously—but that is the possibility that there

might be one-party controlling one House and one controlling the other. And it might be clarifying—it might clarify where people are, and what the positions of the parties are, and what the issues are for the country, if those things are thrashed out separately and then go to conference rather than just going to a deadlocked—and that is really what it probably would be—a deadlocked Joint Committee.

Chairman BOREN. I see.

Senator Bellmon, you talked about using—you said if there is not a budget resolution, using the President's figures in the President's submitted budget. You mean that committees, for example, would not be able to—once the budget resolution is adopted, of course, you raise a point of order that the committee has exceeded the ceiling, for example.

Would those, in essence, become the ceilings in terms of any committee action prior to the adoption of a budget resolution?

Mr. BELLMON. That is the suggestion I make. I don't like the notion that the whole process has to stop and wait for a lengthy resolution of differences between the two Houses. I think it puts some heat on the conferees to get on with their work if they knew by a date certain if they didn't act that the appropriations process would begin anyway using the President's numbers.

Chairman BOREN. What about the earlier—I know you have advocated a portion of what Senator Kassebaum advocated in terms of, at least, bringing the subcommittees of appropriation together with the authorization committees.

How do you react to the suggestion that I asked Bob Michel about that Senator Byrd had made that if you really go back to enforcing the rule that the appropriators cannot exceed authorizations—although I heard you say that in many cases the authorizations are virtually open ended—and could not legislate on appropriations bills and could not appropriate for things not authorized that, in essence, you might have them operating an effective checks and balance against more spending rather than less.

Is that wishful thinking or is that a possibility?

Mr. BELLMON. The only authorizing committees on which I have served—and for which I have any memory—didn't take their work very seriously. They just had no concept of what was available to spend. They knew what they thought they needed for their programs, and that was their only concern. I don't see that the authorizing process is that meaningful in an effort to restrain spending.

Mr. GRADISON. Frankly, it is so easy to get waivers of all of these provisions, as the House is currently organized, that I don't think it would make a whole lot of difference one way or the other of how it is actually set up.

I have often thought that a lot of the tensions and the frustrations and the partisan arguments in the House could be reduced if the rules adopted at the beginning were rules that would be followed.

In other words, have one big fight at the beginning but then follow those rules once adopted. But that is not really the way in which it is done. And the frequency of waivers of basic rules like the budget in the House, I think, is at the heart of a lot of the disturbances in the other body this year that you are hearing about.

They have the numbers available, but it is not an infrequent occurrence. It is, in fact, more likely than not there are major waivers of rules as bills proceed through the House.

Chairman BOREN. I had the figures the other day. I don't have them with me today. But I had the figures of the number of budget point of orders raised in the Senate over the last several years, and sort of a happy trend in that regard in that, for the most part, there is a trend toward upholding—and I believe last year they were all upheld—all the budget point of orders were upheld.

So instead of overturning them, the trend in the Senate at least seems to be toward upholding the Budget Act point of orders when they are raised, something of a good trend.

Would you think it might help us with the process if we were to have a super majority in terms of waiving the Budget Act and overturning the points of order?

Mr. GRADISON. Mr. Chairman, it is easy for someone who suffered for years and years, his total career, in the minority to advocate super majorities for just about anything.

But I think we have got to recognize that elections count, that 51 percent should be able to do business, at least the way the House is operated. The Senate's traditions, for a variety of good and sufficient reasons, are different. But I have to conclude that decisions like that are made—were made last November 3rd.

Chairman BOREN. So you would keep them as a majority. But I assume you would not allow for rules that would waive a budget point of order so that someone could raise a budget point of order on the Floor, then have it decided by majority vote? Is that what you would—

Mr. GRADISON. Yes, that is basically what it is.

There is really a mismatch between the rules and the actual practice. And I am just saying I think that there would be—it may not bring peace and harmony to the House of Representatives, but I think it would make a lot more sense to make the rules coincide more with the actual practice. And they don't. And that is why there are so many waivers.

Chairman BOREN. On the two-year budget cycle—and both of you to a degree have advocated multiyear budgeting—what would keep us from going back—and we have looked somewhat at the experience of State legislatures that have two-year budgeting—what would keep us from the temptation of going back and having supplemental appropriations over and over again so that that really became as much of an item as the normal appropriating process?

Would it be your idea—Senator Bellmon, you mentioned the reprogramming authority of the President, making reprogramming easier, dealing with emergencies. Is that the main way you would deal with that, to discourage breaching the rules, so to speak, of the every-other-year process of appropriating?

Mr. BELLMON. Yes. And remember, we have supplementals now. They probably aren't as onerous as they might become under a two-year system of appropriations. But I think Congress would be embarrassed if it found itself increasing spending through supplementals year after year. I would think that a two-year budget cycle might tend to decrease spending because you would have only half as many opportunities to revisit those issues.

Chairman BOREN. Good point.

Do you agree with that, Congressman Gradison? Do you favor a two-year budget cycle?

Mr. GRADISON. I would prefer to phrase it, Mr. Chairman, multiyear and see how it works.

Sometimes, as in the negotiations for the budget enforcement, what became the Budget Enforcement Act of 1990, something longer not only seemed possible but probably, it was probably easier to get a five-year deal in certain respects than to get a shorter one. So I would say multiyear and leave it up to you to make sure it happens.

Chairman BOREN. On the sequestration part of your proposal, you talk about setting the budget numbers in the budget resolution and, in essence, in law, as I understand it, and that if we exceed—or are you also thinking in terms of the reconciliation bill? I suppose maybe both. If you exceed the figures in the budget resolution and then ultimately the figures set forth in the reconciliation bill that there would be automatic sequestration.

Would those sequestrations occur across the board or would they be considered in the area of the offending area?

Mr. BELLMON. Yes.

Chairman BOREN. How narrowly would you define—if they were the offending area, how narrowly would you define that?

One of the things we have gotten into—the appropriators have been saying we have done, and I don't know if this is the case or not, but they have made the argument, we have done a better job of staying within the targets than for example those committees like Finance and Ways and Means that have entitlement spending under their jurisdiction have done.

And so they, therefore, argue it is not fair for you to punish the appropriators, in essence, or the functions under the appropriators when they have met their targets or stayed within bounds by an automatic reduction of spending in those areas, that the reductions ought to come in the general areas where we have failed to meet our budget targets.

Would you go across the board or would you go into categories, and how would you define those?

Mr. BELLMON. I am not sure I am that up to date on how sequestration works. But it seems to me, it is wrong to punish programs that haven't exceeded the limits. A way could be found just to focus on the ones that are outside the range.

Chairman BOREN. So the law would say that—you would set up, you would say—to use, for example, Senator Lugar's example—appropriate X billion dollars, \$22 billion, whatever it happens to be for food stamps this year, and if food stamps are found to exceed that figure, you would simply have to change the qualifications within that category to bring that spending within line. If it went to 24, you would have to pare it back to 22, if you had set 22 as your figure.

Mr. GRADISON. Mr. Chairman, I would like to call to your attention some excellent work that was done on this subject by my former Chairman, Leon Panetta. He argued—and I thought had a very good point—that the base for sequestration should be absolutely as broad as possible.

The actual base that was being used for Gramm-Rudman was tiny because once one starts to exempt this program, then, well, if you exempt the farm program and you have exempted this cost of living, then you have all the cost of living programs and so forth.

I understand, in principle—and I think what has been said by Senator Bellmon makes good sense. In principle, I would say, as a practical matter, the broader the sequestration and the broader the base, the less likely the membership is to let it happen.

In a sense that is really the objective of sequestration. I mean, I have come to the point of view of thinking that it is an intentionally mindless approach, I mean, a scatter shot approach; and that is a way, in a sense, of getting the attention of the whole Membership. Even your program, even my program might be affected. Whereas, these are limited, you can easily get to certain programs which we don't have to worry about because they are protected and they are not subject to the sequestration.

So many of the things which former Chairman Panetta included in his recommended base were programs which, in the past, have been exempt; and he was not arguing that he wanted those cuts. He just was arguing that you are less likely to trigger sequestration if everyone's ox could be gored.

Chairman BOREN. That is an interesting thought. I gather both of you—and one of the major changes from what we do now in terms of putting into the budget resolution entitlements—that you both would feel that we have to have entitlements as a part of this process and then as part of the benchmark, too, in determining whether or not we have sequestration.

And I gather, from your last comment, you would say that entitlement programs shouldn't be exempt from sequestration either?

Mr. GRADISON. No. But I think there a lot to be said for having this broad pay-go category and separating the entitlement programs from the discretionary or appropriated programs.

I am not trying to protect any committee in saying that. I just think that the process is so different that it may make some sense. And offhand, I think—and somebody may have given more thought to this than I have—but offhand, I think that that part of the Budget Enforcement Act of 1990 has worked fairly well.

Chairman BOREN. Senator Nunn had an interesting amendment before the Senate the other night in which he called for, in essence, a sequestration, a cap on entitlement spending, followed by sequestration as part of the budget resolution so that if you exceed it—but it was with a notice period—so that if you exceed it, if you were found in your snapshot. And that is something I want to ask you both about: Is an annual snapshot enough in terms of if we are going to have some meaningful way of adjusting? Or do we need a snapshot more often than that?

His plan was to give, for example, Finance and Ways and Means Committee, if we were talking about an entitlement that was exceeding its cap, you would set a cap; and if it exceeded its cap, you would give a certain period of notice, whether that is 60 or 90 days, to the committees of jurisdiction before you began a sequestration or an across-the-board cut in the pay out on entitlement programs. And I suppose ultimately, it is an interesting question if we get into the medical expenditures as well, whether or not all of a

sudden providers would simply—if you had a 1 percent cut, that all of a sudden—any beneficiary of a program, whether it is a pension, say a health care provider or something else—all of a sudden they would get 1 percent less, if the cap was breached.

He set those caps, but he also gave the committees a period of time, a grace period, 60 or 90 days so that instead of having that kind of approach, the committees would be able to come up with—perhaps under expedited procedures I think you would have to add that, that the full two Houses would have to act on the committee's recommendations—a way of getting those entitlements brought back within their caps as well.

Does that make sense to the two of you?

Mr. GRADISON. Mr. Chairman, my recollection is that, in a sense, there is a moving picture, not just a single snapshot in the sense that there is an ongoing report card of the status. I know the pay-go account, Chairman Panetta and I as Ranking Member used to get that on an ongoing basis from OMB and CBO, as far as what I believe you are referring to in the snapshot, which is the end of the session, beginning of fiscal year.

Chairman BOREN. Right, which would trigger—

Mr. GRADISON. Which does trigger a sequestration. I think that makes some sense because, during the year, you don't really know where you are until you are finished. It may be that the last appropriation bill is a very big appropriation bill or the last action on medicare. So I think the key to this is for the Congress to know where-how they are doing, whether they are a little over or a little under or a lot over or a lot under as the year goes by, recognizing that the day of reckoning will come when the trigger might be pulled.

Chairman BOREN. Senator Bellmon, any thoughts on how we would handle the entitlement question on sequestration?

Mr. BELLMON. I really don't have any thoughts to add to what Congressman Gradison has said. I think his suggestion is a good one.

Chairman BOREN. Well, it is encouraging to hear you both talk about having to bring entitlements into the process somehow because, obviously, if we continue on down the line where we have been, we are doing a relatively better job at holding other areas of spending under control than we are entitlements which have just been growing without constraint in many respects; and we are more and more—a higher and higher percentage of our spending is now taking place.

Vice Chairman Dreier?

Mr. DREIER. Thank you very much, Mr. Chairman.

Let me apologize to both of you gentlemen. You heard our leader Bob Michel testify earlier about this problem as it relates to the fact that 100 percent of the rules around which we have considered legislation in the House have been restrictive rules; and for that reason, there are many votes going on on the House Floor. And one of the things that has come to the fore is that a number of Members, for that reason, are delayed on some of their other obligations.

I would want to say I was just in the elevator with Lee Hamilton who personally asked me to extend his apologies to you, as the

House Chairman of this committee, for the fact that he had three ambassadors sitting outside his office and had to rush back there. So I extend apologies from Lee.

I thank you both for your very helpful testimony. I really wanted to ask a question of Senator Bellmon first that has to do with this question of Members serving on taxing and appropriating committees, as you outlined in your testimony.

Now, in the House, we have Members who serve on the Appropriations Committee prevented from serving on any other committee at all in the House, and so appropriators cannot authorize. A number of other witnesses have testified about this concern of having Senators who serve on authorizing committees and also serve on the same appropriation subcommittee and are then in a position where they don't need to proceed with authorization because they will do it in the appropriations process.

Now, in your testimony, Senator Bellmon, you say that a Senator could serve on an authorizing committee but could not serve on the same appropriating subcommittee that relates to that issue where they authorize.

But the question that I would have is: What happens when that process gets to the full committee on appropriations and, even though that Senator has not served on the subcommittee that relates to the area where they are authorizing, they still would be able to address it, it seems to me, at the full committee level; so how would you propose to address that concern?

Mr. BELLMON. Well, I believe, in your absence, we talked about the fact that the authorizing process generally doesn't take the responsibility too seriously.

The fact is that most—a lot of authorizing committees put in language saying whatever funds are required, and there is very little concept, very little knowledge of what the effect or the impact of authorizing committee's decisions is on the budget, and most authorizing committees are concerned about getting on with the program they have under consideration and are not that worried about busting the budget or causing an addition to the deficit.

So I don't see that—

Mr. DREIER. You don't see a problem between the appropriating and authorizing, the Members serving on both, on the full committee level?

Mr. BELLMON. I do not.

Mr. DREIER. Bill?

Mr. GRADISON. Thank you, Mr. Dreier.

First, just a bit of history. And I know we can't go back, but prior to the Civil War, the Committee on Ways and Means of the House of Representatives had responsibility both for raising the revenue and spending it.

The workload got too high; and during the Civil War, it was split into two committees, the Ways and Means Committee—not very different in its jurisdiction from what it has today—to raise the revenue, and then the Appropriations Committee.

By the way, one of the interesting historical footnotes is that the then Chairman of the old Ways and Means Committee, having the choice, decided to become Chairman of the new Appropriations Committee, which tells you a little bit about where the pleasure-

pain principle—if nothing else, is evidenced by that. There is no way to go back.

I tell you, I have thought a lot about this in connection with the creation of the committee on which you all are so hard at work. I truly believe that the most important and, indeed, perhaps the only significant thing that ought to be considered with regard to committee structure, is this matter of Members being spread so thin.

In other words, I don't know any practical way to anticipate the way in which subject areas will break down 10 or 20 years from now. If health is a hot topic, the Speaker could always have a special committee on health. He has got the power to do it now. Speaker O'Neill did that during the energy crisis during the Carter administration. It could be done again.

This matter of Members being spread too thin necessarily forces a look at the functions of some committees. But it probably has more to do with the size of the committees. And there is a lot that could be done without disturbing committee structure by gradually diminishing the size of the committees and not even doing it overnight, just doing it as Members retire and so forth. I know that is easier said than done. But with regard to the relationship of this committee structure to the budget process, I personally think much more would be accomplished by the multiyear budgets that we were talking about earlier than by changing committee organization.

Mr. DREIER. The concern that was raised came from George Brown who Chairs the Science, Space, and Technology Committee. And he talked about the Senate counterpart who was able to really avoid the authorization process because he served on that Appropriations Subcommittee which was able to address those issues.

So the concern that I am raising, really, here—and again we address it in the House by not allowing an appropriator to serve on an authorization committee.

But let me proceed with another issue here. Then I will yield to Senator Domenici for some questions.

In testimony, our colleague Mr. Kasich last week raised several issues. And I wondered, Bill, if you would respond to those.

You referred to the fact that there is this six-year limitation for service on the Budget Committee. And I will just ask all three of these, then you can answer them in a group.

First, do you believe that that process of rotation continues to be a good idea?

And the second is: Do you believe that the Budget Committee should be granted greater enforcement authority?

And the third would be whether or not the Budget Committee should retain all jurisdiction over the Budget Act itself.

Mr. GRADISON. With regard to rotation, I think that it becomes a less important issue if we think of the Budget Committee as a leadership committee that at the end of the day is going to do what the leaders want anyway. And in that sense, it doesn't really make a lot of difference whether there is rotation or there isn't rotation.

I think the rotation idea was a very necessary element when the committee was newly created and there was a desire to have a certain number of people from Appropriations and Ways and Means

and other committees serving on it. But I don't see it as a major factor today.

With regard to enforcement authority, yes, I would be very interested in ways that the Budget Committee, as a committee, perhaps through actions that it could take on the Floor or some preferential motions that it might offer on the Floor might be able to increase the opportunity for enforcement of the budget resolutions once passed. But I also—and we had talked about this while you were away. I also recognize that the votes to waive the budget resolution are pretty routine; almost—I can't think of an exception—almost always approved. And my main suggestion which I made earlier was, my main comment was that there is a mismatch between the practices of the House and the rules of the House; and it might be better if the Budget Act isn't going to be regularly enforced, to write that in the rules than to go through these fights, which, as far as I can see, just engender partisan frustration but, in the end, really don't accomplish a whole lot.

Mr. DREIER. Basically, then, the Budget Act has very little meaning if we are going to continue to waive it or write it into the rules where we don't do that up in the Rules Committee?

Mr. GRADISON. Absolutely. There is a lot to be said for—I don't often say this, Mr. Chairman, but there is a lot to be said for the way the Senate deals with this issue over the way in which the House deals with it.

Your third point was?

Mr. DREIER. The third point had to do with retaining jurisdiction of the Budget Act itself.

Mr. GRADISON. This is an historical accident that the Rules Committee has that jurisdiction—seeing as you are on the Rules Committee, I can understand that you might like—Members might like to retain it; but I don't see that it has anywhere near the relevance now that it had in 1974.

I don't see where the Rules Committee is, singularly, in a position to review these matters and has special knowledge. They are very competent, but I don't think they have special competence in this field.

Mr. DREIER. Well, I will tell you that, based on my service on that committee, I am not fighting for more jurisdiction on other items based on the outcome of most issues.

But thank you very much. I appreciate the testimony that you both have provided. It has been very helpful.

Thanks again, Bill, for encouraging me to participate on this committee. We are looking forward to a good product.

Mr. GRADISON. The committee is in excellent hands. I really am grateful for you under all the circumstances, Mr. Chairman, making it possible for me to be here.

Chairman BOREN. Thank you very much, Congressman Dreier.

I am going to ask—Senator Domenici has now been able to join us. He serves, of course, as the Vice Chairman on the Senate side.

I call on Senator Domenici for any questions he might have.

Senator DOMENICI. Thank you very much, Mr. Chairman.

Let me say to my two very good friends of longstanding that I am a living example of the fact that you can't do everything; you can't leave it like it is and expect Senators to do what they are sup-

posed to do. There is no way I can get here very often, and I was supposed to be at every one of these meetings to try to help my Chairman. But I apologize. You catch me in the middle of this budget process, and I just have been unable to be here.

But I did read your testimony, Henry. I did not read yours, Bill; but I think I understand what you are advocating.

Let me give you one interesting observation and ask you if you don't think it kind of cries out for a little bit of help. If you look at the President's budget, it is functional. Henry, you know 050 defense, 051, a little subsetting of defense, 053, a little subsetting of defense, and then 270 is, whatever it is, transportation and the like. And then the budget resolution comes along, and it does it the same way so that if you want to look and see what is being recommended by the Budget Committee in education and so and so, you find the same function in the President's budget; and there is a direct correlation.

But when you go there to find out how we spent the money, there is no correlation between the appropriation bills and the functions of government as outlined by the President or the budget process. It almost seems like, I don't know, the origin of this very diverse jurisdiction. It is almost like you took the functions of government and just threw them out on a table and then you grabbed them and you put a certain number in the Energy and Natural Resources Committee and a certain number in Labor-HEW, and a certain number elsewhere because you cannot—without an assemblage of accountants and number crunchers, you cannot relate the appropriations process and appropriating of money to the budget or to the President's budget.

It seems to me that it would not be asking too much to at least try to get out of this reform that they would be similar. You know, the Appropriations is so powerful that maybe we ought to put all the rest of government on their schedule, maybe take their subcommittees and have the President prepare a budget based upon their subcommittees, right? At least it would be common.

You could, from year to year, say, here is what we appropriated; here is what the President asked for. You understand that—both of you understand that is not the case right now. That is done by budgeteers in a very arcanelly named process called "crosswalking." You crosswalk from the functionals to the Appropriations Committee and then you add them up and make sure the totals are right.

But it seems to me, you don't have as good a handle on what is happening to government and year-to-year evaluation of where you have been and where you are going. And even—my last observation—as the President of the United States right now goes through a very dramatic exercise in increasing spending, while he is decreasing spending—and they are almost a wash in case you are wondering—you talk so much about cutting; they are just darn near a wash. The President cuts 131 in all of domestic, but he adds 124 all in domestic, but they are all hunched up in terms of the appropriation process because they won't carry them the same as the President. They will be pulled out of everywhere in the President's budget, and you are not going to be able to follow them. And when the allocation occurs—and that is the process of redistributing the totality of the allowable expenditures among the non-de-

fense subcommittees, that is the process, the allocation process, you aren't really going to be able to succinctly see whether the President is getting what he wanted or not.

My guess is the first time through, he will get it; or they will try. But by the end of the year, it won't be there. They will be changed all over the place by the appropriators.

So wouldn't it be that if you want to start with something that you ought to make these processes similar, that the President's budget is on the same functional totals as the appropriation process and vice versa? Either one or both?

Mr. BELLMON. Senator, you are dead right. This thought that you have just expressed so eloquently is one that Senator Muskie and I dealt with back in the beginning of the budget process on the Senate side. We thought it was insane to do what we do, this cross-walking. Nobody understands it except the people who do it. Maybe they don't even understand it.

But when we tried to get OMB to adopt the same categorical breakdown that the Appropriations Committee uses, they laughed at us. They thought our system is—well, it has grown up because of the turf battles that go on. And when you talk about getting the Senate Appropriations Subcommittee Chairmen to give up some of these areas where they have oversight, they are not interested. So I think it is a great idea.

But unless the Congress is more puritanical now than it was 16 years ago, it probably isn't going to happen; but it ought to happen.

Senator DOMENICI. Bill.

Mr. GRADISON. I have to admit, Senator, I have wondered at times whether the present system is just a way to give the Appropriations Committees the maximum opportunity to do what they want to do, within the totals, rather than to follow the lines as they are spelled out in the functional breakdowns used by the Budget Committees.

The only way that I think it could work would be for the Congress, which does have a law requiring the President to submit a budget, to amend that to specify exactly the format to be followed, not the numbers, but format it to be followed by that budget. I think it would be a little harder for OMB to laugh at you then.

Senator DOMENICI. Well, but they laugh at you because they are right in laughing. I mean, it is a laughing matter. There is no real qualitative reason for doing it the way we do in the subcommittees on appropriation.

For example—and then we will get off the subject—you have one subcommittee that has HUD, Space, and Veterans in it. With all our dramatic ability, with our brains to put that into sort of one function of government—I mean, it would kind of be the spacy veterans need housing—maybe that would be a way to describe it—but clearly there is no way.

Now let me move to another—Senator Bellmon, I read your suggestions, and I frankly believe that the idea of having a two-year budget and a two-year appropriations with some automatic adjustments allowable without adopting a whole new budget resolution, perhaps automatic every six months or so, based on the real dynamics of the economic indicators, I mean, you ought to make that adjustment; you now know you were wrong, make the adjustment

automatically. And you have another budget resolution, but that wouldn't have to even be voted on. You would just change it.

I think it would save more time and accomplish more than almost anything that has been discussed. And I guess I wonder, from your standpoint, Bill—because I got this idea from Henry years ago and I have been advocating it—do you see any reason—what is the reason that Congress is so violently opposed to this? Why would they not want this?

Mr. GRADISON. My sense of it is that appropriators like to be at their task every year. They like to make those decisions. I don't think I have to elaborate, necessarily, on why that is the case.

I would certainly advocate multiyear budgeting, maybe more than two years. The Budget Enforcement Act of 1990 tried to do it for five years in certain respects, and that part of it was reasonably well accepted, the fact that it was multiyear. Multiyear authorizations do exist for some programs. In fact, for quite a number of programs.

It is only in the appropriations side where there has been this reluctance. It may be—and this is pure speculation on my part—it may be that some subcommittees would be more willing to try this than others. And that is a judgment which you have had to make—would have to make.

But my hunch is that an attempt to require two-year appropriations—I mean of the two Appropriations Committees in the two Houses—would be very difficult to sell—I mean it is a fight worth doing, but I think it would be a very hard sell.

Senator DOMENICI. Henry, Senator Bellmon, why do you think it is so hard to get it done over here?

Mr. BELLMON. I was on the Appropriations Committee, as you know, as well as the Budget Committee, and it is enough to drive you insane. You just can't keep up with everything. But at the same time, I think appropriators like to appropriate. They are in the most powerful positions of anybody in the Congress, and I think they look upon going to—to doing half as much appropriating is losing half their clout.

Senator DOMENICI. Well, I tell you what, Mr. Chairman, and our two witnesses, what I have heard as the most succinct argument against two-year appropriations—and I don't know that I have heard it from a Member, but I have heard it sitting around talking with staffers and others—it is that there is so little oversight occurring with reference to the Federal Government's appropriated accounts that the only oversight occurring with any regularity is that which is done annually by the subcommittees of Appropriations.

Now, frankly, my answer to that is, if the public only knew that that was all the oversight because clearly subcommittees try their best; but it is, at its best, very minor oversight.

I thought the Bellmon proposal for two years was one year on budget and appropriation and one year for oversight, and the oversight could then be done by the committees who are supposed to be doing oversight because we wouldn't have any Floor activities that had to do with appropriations or budgeting.

Was that the concept?

Mr. BELLMON. That is one of the reasons for going to a biennial budget.

Mr. GRADISON. Mr. Chairman, this is a definitional problem. But my hunch is that a lot of that oversight would not be the kind of broad programmatic review that you and I would like to see, consideration of alternative means of organizing or funding programs and all that.

I think it would tend to be more the rifle shot things that we are accustomed to where something may appear to be a little out of whack, and the TV cameras are willing to show up.

Senator DOMENICI. I noticed both of you seem to be adopting some concept of budgeting. And I don't want to take full credit for it, but I introduced a bill on this subject about six years ago that said, let's have joint leadership committees instead of the standing Committee on the Budget.

I even suggested that we have one for both bodies in my legislation, that it be joint and that it meet under leadership auspices, produce a budget, then take it back to both Houses, there need not ever be a conference.

Are any of you adopting that as your proposal?

I think you are, Henry.

Mr. BELLMON. I didn't go so far as the Senator has gone. I recommended a separate leadership committee for each House.

Senator DOMENICI. In either event, it seems that the purpose of all this, ultimately, is to try to find a way to have the budget resolution more effective; both of you suggest different ways.

Frankly, I believe that the frustration that is occurring on the Floor of the Senate right now, because we get to amend things, is that it is dawning on everybody that the amendments don't mean anything.

You know, if you say, I am adding \$10 billion to education and I am taking \$10 billion out of 16 programs that are non-education and they are equal, you really tell your people back home, I had a pro-education amendment, right?

But there is nothing in the current budget process that said the result, when the appropriators finish, will be that way, right?

You both agree with that, don't you?

Mr. GRADISON. That is correct.

Senator DOMENICI. Because appropriators divide up the whole pot of money in an allocation process, and they decide whether they are going to increase the funds on education or not in that very, very—nobody can understand the process called 302(b) allocation by each Appropriations Committee.

Nonetheless, that amendment that I just described will be voted on. And perhaps one of the biggest hoaxes of all is that those who weigh the Members in terms of what they have voted for or against dictate that vote as real; and they say everybody that voted for that is pro-education. You know the one I just described.

In fact, we went down so far once, Mr. Chairman, where we had an amendment, believe it or not, on a budget resolution, maybe 14 years ago, that said, let's add \$20 million to immunization; and it was seriously taken as an immunization amendment when it had no effect whatsoever. Appropriators didn't put \$20 million in immunization after that amendment was adopted because they divided up the totality of it the way they wanted.

So the budget process grew up as a compromise document with the pulling and pushing of the appropriators wanting to give up something but not too much. That is as clear as you read the legislation.

Now we cannot even get a binding vote on how much we are going to spend on defense. I guess we all understand that hue and cry around here, why don't we vote on defense three times? Well, the vote on the budget is meaningless on defense because the appropriators take it away from it anytime they want, spend it elsewhere, unless we have binding fire walls, unless we change the budget process and say, you are approving three budgets—one for defense, one for foreign aid, and one for domestic or any combination thereof—and whatever you don't spend in one goes to deficit reduction but can't be intermingled. Then the vote would be very important on the Floor, and amendments to the functional total would be very important.

Now, if we can't get some of those kinds of things out of this reform, we are really not going to make a lot of headway with reference to the budget process and the appropriation process and the membership having more to say with how things come out than they do now.

Would you tend to agree with that kind of observation, either of you?

Mr. GRADISON. Totally.

Mr. BELLMON. I certainly agree.

Senator DOMENICI. Mr. Chairman, I, again, want to say for the record I remain totally committed to this process, even though I have been absent a little more than I should have been. I will try very hard to adjust my schedule.

Chairman BOREN. We understand. There have been so many things going on and we have been disrupted by a lot of votes on the Floor and other negotiations off the Floor on the budget matters that are now pending.

Let me ask just one last question of both of you, because you have both conducted yourself in this way, and Congressman Gradison made reference to the period of time when Senator Muskie and Senator Bellmon were leading the Budget Committee as a period in which the process really functioned as we hoped it would and particularly that it functioned in a bipartisan fashion.

One of the things that concerns me, and I have tried to follow that same policy when I chaired the Intelligence Committee and for a period of time we were able to do that on the Senate side with Senator Cohen, Senator Murkowski serving as my vice chairman during that period of time, but I think—and we see it here in this budget process this year. We have almost total partisan polarization. If anything, it is getting worse. We have seen it in the House for a number of years. It is now increasing in the Senate, I would say by leaps and bounds, and I think all of us worry about it. We worry about it from several points of view.

One, it is not good for the country to have this kind of polarization. If we are going to solve these problems, these votes are going to be very, very difficult. If we are going to make real reductions in the budget deficits, it is going to take some real sacrifice, and it means that there has to be a joint political responsibility for doing

it. The other thing is that if we are locked into being simply a voting in lock step on these matters from a partisan point of view, there is really not a way for Members to deliberate as they should and to use their individual capabilities, their consciences to come up with what can be done. It is becoming more and more difficult for Members who want to work together across the aisle from each other and to form working groups that are bipartisan to be able to effect such agreements. I find that is harder every single year.

Why do you, as you look back on this, and observe it, Senator Bellmon, now observing it from some distance and, Congressman Gradison, really just recently leaving this body, but I know he saw it and I know it is probably part of the reason why he decided to leave the body, growing frustration over this kind of polarization, why do you think it is, and is there anything that we can do, because when we talk about reforming Congress, we obviously are going to have to have a tremendous amount of bipartisanship as we look at not only the budget process, we are going to be looking at the committee structure very, very soon.

We have Members that we already talked with, you talked about how it was spreading yourself just between Budget and Appropriations. The average Member now serves on 12 committees and subcommittees. We have one Member that serves on 23 on the Senate side. I mean, it is an absolute impossibility. Our time is so fractured. But it is going to take some real bipartisanship to change that, for example, and to reduce the number of committees, the number of committee assignments, and to move forward all these issues we are talking about, ethics, but especially as we talk about the legislative product, not just process, because as you both said, process can't substitute for will and it can't substitute for substance and the right decisions being made.

What do we do about that and what do you think is causing the increased partisanship that we are seeing and is there anything that can be done to try to reverse it or is it simply a matter of, again, individual acts of will by Members who decide they are going to work together and try to fly in the face of what is becoming more polarization. Any thoughts that either one of you have on that?

Mr. BELLMON. Well, Mr. Chairman, I am not sure what I am going to say is right on target, but let me explain what happened with Senator Muskie and myself. When I first went on the Budget Committee as Ranking Member, I have to admit I was in terror of Senator Muskie. He had a reputation of having this violent temper and he was a very loquacious man, and I was a very junior Senator and a Minority Member and all the rest of it.

I went to him sort of hat in hand and in fear and trepidation and suggested to him that we fight our battles in committee and that no matter who won or who lost that we stand together on the Floor, and this way we did present a bipartisan view. We had our differences and we worked together or worked for opposite causes perhaps in the committee, but once the committee decided, both the Chairman and the Ranking Member stood bound by that committee decision. I am not sure what goes on now and I am not suggesting it might work with the new arrangement, but it clearly worked for Senator Muskie and me.

Then I have to give him credit, he never once violated that understanding. I don't know whether that bears on what you are asking or not—

Chairman BOREN. I think it probably helps. At least in the Intelligence Committee, we really tried to thrash it around and avoid roll call votes often in the committee. We would have our differences of opinion. We tried to meet each other halfway and actually form a consensus so that more often than not we probably voted only one time out of one hundred where we had a dispute. We really worked at dispute resolution without voting. Voting, itself, tends to polarize.

Then we did come out with a united front behind the committee point of view, once it was agreed upon.

Mr. Gradison?

Mr. GRADISON. Senator, I spent 30 odd years in public office, and, frankly, never thought that I was elected to be an automatic vote for my party. It got me in a lot of trouble with my party, both back home and here, but that was just my view of—and I wouldn't change it looking backwards. I was very comfortable with that. It isn't that I didn't vote with my party a great deal of the time, but there were some notable instances where I thought they were wrong, and I would vote the other way, something you are quite familiar with yourself, and I know that.

I have to say at the same time, moving away from the personal aspect of this—and we all have to live with ourselves first and last and always—there may be some advantages to what is going on today in clarifying in the public mind who stands for what, and to the extent that out of these debates comes a clarification of contrary points of view on things as fundamental as budget policy, which, after all, is the most important statement of objectives, how are we going to allocate scarce resources in the next 12 months, that is a pretty important issue.

There may be some advantages. I don't mean partisan advantages, but advantages to the public which seems to get us all mixed up in terms of who stands for what. I have to acknowledge, though, immediately, that the way in which these votes are done—and you have had a series of sense of Senate resolutions to which I am referring—could understandably lead even the closest observer of the scene, a real C-SPAN junkie, wondering who is for what and it doesn't take much imagination to see how these things could be used in 30-second commercials next year. So I know I am not coming down solidly on one side or the other.

I would like to tell myself, this too shall pass, and it may. Part of this, I think, may be the frustration of the Majority party in the Congress to 12 years of the other party controlling the White House, and that may heighten this. My hunch, just as a long-term observer of the scene, is that as time moves on, that inevitably the Congress will start to act as a Congress and independent reviewer of the recommendations of the executive and not automatically support it, but at this stage of the game I would expect the Majority party—and I think they are right to do just what they are doing. It is just I find it really hard to believe, based upon history and human nature and the way in which we all have to represent our

districts and our States, that it is going to continue for very long. Maybe a year or two.

Senator DOMENICI. Mr. Chairman.

Chairman BOREN. Yes, sir.

Senator DOMENICI. I think you raise a question that almost requires a partisan response. Frankly, when you consider that budget resolutions are almost always the first big act of a new President or of a year because hardly anything happens before you do that first one, first, they take on an undue measure of partisanship if, as has always been the case, the Presidents prepare their own budget, however formidable the sea change is or isn't, they prepare their own, and that is too late to expect the opposition party to sit down and talk about doing things differently. Very, very difficult, point number one.

I don't know that I have a recommendation for change, but I have a recommendation for Presidents. I mean, if they want it to be bipartisan, they can't do it the way this President did it because it is a sea change in terms of what he wants done and Republicans weren't asked what they thought about it until it was all done, so in a sense this budget resolution should, if we are capable of doing our job right, pointing out a very, very big difference between the two parties and a very formidable burden on the President and his party because everybody is going to know when this is finished it is theirs.

Secondly, that is not going to work to get the deficit under control, what I have just described, and this package is not going to get the deficit under control, because to get the deficit under control for the foreseeable future you have got to get at mandates and entitlements, and you can't do those unless it is bipartisan, in my opinion.

I cannot fathom a Democratic President and a Democratic Congress singularly as partisans regardless of their power. If they wanted to they could do it this year, they have got plenty of power; they didn't do it. It is not that he wouldn't have done it, the President didn't ask for it. There is nothing in this budget that is going to restrain the domestic budget of the United States in a permanent manner, and that is now coming out.

CBO said it last night, the analysis of the budget resolution, almost verbatim quote, "nothing in the budget resolutions in either House that will get the deficit under control over the long term." So it seems to me that this notion of bipartisan-partisan might switch with reference to what you are trying to do, but if budgets are the policy statements of a Nation, then where better to have a Republican Party and a Democratic Party differ?

If we don't differ in policies, not in objectives because both parties say jobs, prosperity, low inflation, sustained economic growth, that is our goal, and I think we all said at the lowest possible tax rate, although I am not quite sure that I would agree that that is part of the current White House entourage of qualities. Maybe it is. So it seems to me that it depends on what you are trying to do.

And one last thought, why worry so much about whether a budget resolution is festered with partisanship when we don't seem to be that worried about the fact that the Ways and Means Committee is about as partisan as you can get. I don't know very many

Republicans—you may be one, and I think in the past 10 years maybe on capital gains once, Representative Archer from Texas, at the end of last year may have had a victory, but other than nibbling around the edges, it is Democratic, right, what they do in Ways and Means, surely is more so on that side than it is on our side.

And what about authorization? The committees don't have much to say about a bill.

What about appropriations? What, everybody gets a few of the goodies, there is some bipartisanship, so I don't worry that much about a budget resolution being partisan or nonpartisan, other than if you can't get a budget resolution because you don't have enough votes, you have a hell of a problem.

Senator Bellmon, I wanted to comment on one thing. You mentioned that if you don't get a budget resolution under your approach that you should go by the President's budget. I would suggest that a far better way to do it so that you are more apt to get action in Congress is to do it in the following way: Say if you don't get a budget resolution as prescribed, get a two-year budget resolution, leadership-oriented, but you can't get it, I think the law should read that you appropriate off last year's levels, and I think that really is hard on a Congress because they don't want to appropriate off last year's levels, and that would be a pretty good hammer. So, say, if you don't get something, you are going to have an appropriation process you don't like. Other than that, I thank you very much and appreciate your comments.

Chairman BOREN. I think that suggestion has, in fact, been brought to us, maybe by you, but other witnesses that we might also, but I think the point—that you might use last year's figures, but the point has been made if you can't agree on the budget resolution, it should not freeze the whole process in place and there should be leverage to help make it move.

Perhaps you are more optimistic than I on the partisan question. Perhaps all I can say is whether we get to reconciliation and actually doing the job and whether we get into entitlements, which we are going to require bipartisanship, and the only thing I worry about is I think what happens is that when you do get extreme partisanship, you get polarization, which tends to go both to the right and to the left to a degree that it leaves the majority, the real majority of the people of the country who are moderates disenfranchised by the choices that they are put between, and more and more we are getting ourselves in procedural situations, either to the right or to the left, where we are disenfranchised in terms of choice for those that I think want to put the country in a moderate, reasonable direction, but—

Mr. GRADISON. Mr. Chairman, also, I sometimes have had the impression during my service that it really isn't easy to come out of a very partisan consideration of an important measure.

Chairman BOREN. That is true.

Mr. GRADISON. Then go on to the next one and say let's work together.

Chairman BOREN. It is very hard, it takes time.

Mr. GRADISON. The well does get poisoned, particularly if it happens over and over again. It is a little like Charlie Brown and Lucy and the football.

Chairman BOREN. It may be that a lot of this has to be changed at the committee stage and committee-by-committee and then presenting joint agreements to the Senate. It can be done probably more easily at the committee phase than it can be later on. I think there is an interesting example from the history of the Budget Committee.

Well, again we thank you both very, very much for being with us. We will meet again on Thursday, April 1st. Senator Ford will be our final witness and he will talk about biennial budgeting, then we will have an open forum of four Members of the House and three of the Senate, freshmen Members, and I think having the freshmen Members with us is very important because they are a major force for reform of the process, and we are anxious to have their suggestions. So we will stand in recess until Thursday.

[Whereupon, at 4:40 p.m., the committee was adjourned to reconvene, Thursday, April 1, 1993.]

APPENDIX

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Testimony by the Honorable
Robert H. Michel, Republican Leader,
before the Joint Committee
on the Organization of Congress
March 30, 1993

Mr. Chairman, I would like to thank you for the opportunity to appear before this distinguished panel for a second time. Today, I would like to discuss the budget process. This is an arcane process to which the Congress has felt compelled to add layer upon layer of revisions in the attempt to control our individual spending and revenue actions.

Let me provide some historical perspective. Forgive me if much of what I have to say is familiar, but I think we have to re-think this entire process.

Before the 1974 Budget Impoundment and Control Act, the only way to get the entire budget picture was to add up all the various spending and revenue decisions as finalized at the beginning of a fiscal year.

The 1974 Budget Act for the first time required Congress to look at the budget as a whole, at the start of the Congressional budget cycle. The budget resolution was to relate revenue and spending decisions and require Congress to set overall priorities. Through a system of overall spending and revenue limits, committee allocations and points of order, these overall priorities were to be enforced as individual spending, revenue and debt measures were acted on throughout the year, in preparation of the beginning of the new fiscal year.

Congress, in the mid 1980's, faced with growing deficits, turned to an additional layer of budget enforcement procedures in an attempt to force upon itself the discipline to bring down those deficits. I am referring to the various versions of Gramm-Rudman. Congress first established overall deficit targets which initially contemplated a balanced budget by fiscal year 1991.

Those deficit targets, if not met by Congressional action, would have been met by an automatic sequester -- across-the-board cuts -- of all non-exempt programs. The latest version of Gramm-Rudman, effective through FY 1995, basically provides only for categorical sequesters. The overall deficit targets are in effect nullified because they are adjusted every year to reflect economic and technical changes.

Now, in theory, under the current budget process, Congress has sufficient controls over spending decisions with the budget resolution setting overall priorities, which are then enforced through overall limits, committee allocations and points of

order, as actual spending and revenue legislation moves through Congress. And the statutory debt limit provides an additional hurdle that has to be increased when annual deficits add to the overall debt.

In theory, the discretionary caps and pay-as-you-go rules should provide an additional layer of control. And, finally, in theory, there should be no spending that has not been authorized by law.

But, in fact, the existing process does not provide the control over budgetary decisions that was originally envisioned when these various processes were put in place.

I would like to go through just a few of the reasons why I believe the Congressional budget process has become so ineffective. My comments are directed primarily at the House.

First, the Congressional budget resolution has become a political statement of the two parties. There is no longer give and take between individual Members to agree upon a budget resolution that governs the individual spending and revenue bills later in the process. Members are put in a take-it-or-leave-it position on the resolution reported by the Budget Committee or any alternative budget proposals that are presented.

The practice has further developed that any alternatives must be in the form of complete substitutes, so there can be no cut-and-bite amendments to the reported budget resolution on the Floor of the House. Thus, a denial of the opportunity to reprioritize spending decisions in the broadest sense.

Now, as individual spending bills move through the Congress, the House routinely waives the Budget Act points of order -- the very tools to prevent us from violating our budget goals and targets.

It has gotten to the point that the House Rules Committee provides blanket waivers and doesn't bother to specify which points of order are being violated. During the 102nd Congress there were 78 blanket waivers and only 9 specified Budget Act waivers, so Members have no idea exactly how many times the Budget Act was waived. Before the 99th Congress there were very few blanket waivers of the House Rules -- four in the 98th Congress, four in the 97th Congress and none in the 96th Congress.

Second, a factor in the inability to directly affect spending decisions is the fact that what is debated is so closely controlled and carefully structured by the Majority Party. To date during the 103rd Congress, the House has not considered a single bill under an open rule. We no longer have an open process where Members can have amendments to amendments, to get at individual spending items.

Furthermore, many programs are funded which are no longer or may never have been authorized. In fiscal year 1993, \$31 billion in appropriations lacked specific authorizations by House authorizing committees.

And the structure of the budget has changed. Today over 60% of the federal budget is on automatic pilot -- where unless Congress goes in and changes the underlying statute of the many mandatory and entitlement programs, spending will continue to grow based on new entrants and higher costs. This is certainly the case for healthcare spending.

Recently, we have also seen the discretionary spending caps and pay-as-you-go rules overridden by just declaring additional spending an emergency, although there many Members will dispute whether this new spending is in response to an actual emergency.

The bottom line is that any control that Congress has imposed upon itself by law or rule can be changed or waived by subsequent Congressional action.

I believe that the time has come where we must step back and look at the big picture. We need to make a bold change in our attitudes as to how we approach the job of making budgetary decisions for this nation. It is time to get back to the basics: outgo should not exceed what is coming into the federal coffers. In plain English, don't spend what you don't have.

That is why I am advocating the passage of a balanced budget constitutional amendment. This constitutional amendment should be sent to the States for a debate so that the citizens of the United States can express themselves on this issue.

Now, once a balanced budget constitutional amendment is adopted we as lawmakers will still have to grapple with how this broad concept will be implemented through our legislative process.

The key elements of a balanced budget constitutional amendment are: first, the requirement that total outlays cannot exceed total receipts for a fiscal year unless three-fifths of the whole number of each House provides by law for a specific excess of outlays; and second, the requirement that the limit on the public debt shall not be increased, unless three-fifths of the whole number of each House shall provide by law for such an increase.

There would have to be agreement in front by a super-majority vote of Congress in order for a deficit to occur in any year.

As we contemplate how Congress would operate under the requirements of a balanced budget constitutional amendment, I am advocating a budget two-step. First Congress and the President would agree on how much we take in and spend out and any resulting deficit. The second step would be to divide up the pie to determine how it should be spent.

This procedure could be implemented in the interim, as the constitutional amendment is being debated by Congress and then by the States.

In the first step, I propose that this aggregate-only budget be in the form of a joint resolution so that Congress and the President would have to agree on these levels. If a deficit is contemplated, as it may well be during the first few years, then this joint resolution would have to be adopted by a three-fifths vote by each House. So this difficult vote would be taken up front.

Only then would the President, based upon these aggregates, be required to send to Congress a detailed budget proposal. Congress would then be required to pass a congressional budget resolution. Congressional spending priorities would be enforced through committee allocations, reconciliation and points of order when spending and revenue legislation is considered later in the year.

In order to streamline the process, I would support a Joint House-Senate Budget Committee with representatives from the Leadership and major Committees constituting the membership. The Joint Committee would consider and report a budget resolution. I would also support a two-year budget cycle for my two-step process: the aggregate budget and the budget resolution establishing the spending priorities.

I would like to see the budget resolution considered through an open process as was the case in the late 1970s.

I would like to see a more open process in the consideration of the various individual spending measures so that Members can reprioritize or cut spending.

Ideally, I would like to have separate votes on attempts to waive the Budget Act.

As an appropriator, I have seen the ability of Members to impact spending in appropriations bills severely limited and I would like to make two specific recommendations in that regard.

First, amendments providing limitations on appropriations bills should be permitted if they have been introduced in bill form with at least 50 co-sponsors. Limitations restrict the way in which funds are spent, and are an effective way to influence policy when no other alternatives are available, particularly when the authorizing committees are failing to act.

Presently, the rules, for all practicable purposes, prevent such amendments from being offered because the motion to rise and report effectively prevents anyone from offering any limitations on appropriations. The proposed change would restore the right to offer limitation amendments if proponents can demonstrate significant support. That will allow the process to be opened and at the same time foreclose frivolous, time-delaying amendments.

Second, amendments should be permitted if they increase spending and are offset with comparable reductions within the same appropriations bill.

It is currently impossible for a Member to reprioritize spending in an appropriations bill if that Member would like to add spending to a program at the beginning of the bill and offset that increase by a reduction in a program that appears later in the bill.

This is because the bill is usually read line-by-line for amendment and if spending is added to a program at the beginning of the bill without an offset, it would cause the subcommittee allocation to be exceeded, subjecting that portion of the amendment to a point of order.

For example, in last year's VA-HUD appropriations bill, I may have proposed an amendment to add, let's say, \$200 million to Veterans Medical Care which appears on page 7 and offset this additional spending by reducing Space Station funding by the same amount, which is partially funded in the NASA Research and Development account on page 75 of the bill.

Since the offset does not appear until page 75 of the bill, I would have not have been allowed to offer such an amendment unless I received unanimous consent to offer it or received permission in a rule. This is because of how we consider appropriations bills, along with the subcommittee allocations that constrain spending.

The final proposal that I would like to speak in favor of today is the concept of a line-item veto for both appropriations and tax bills. I have introduced legislation, H.R. 493, which would give the President authority to rescind discretionary budget authority in appropriations bills or veto any targeted tax provision in revenue bills. Congress would have a twenty-day review period during which a disapproval bill could be enacted.

The President should have the tool to get at special interest provisions in both appropriations and tax bills. This is not a panacea in the effort to reduce our federal deficit, but it is an effective tool that could discourage unnecessary spending or special tax provisions that also cost money.

I would like to make a part of the record, testimony that I presented before the Legislation and National Security Subcommittee of the Government Operations Committee on March 10.

Again, I thank you for this opportunity to testify on the Congressional budget process. I urge the Committee to step back and take a broad view of the process because I feel the key to making all the parts of this process work effectively is to return to the philosophy that our forefathers maintained until recently -- that it is wrong to borrow from future generations to spend now.

Furthermore, there should be a degree of fairness in the everyday workings of this great institution so that any Member can freely pursue efforts to amend the budget resolution and the various spending and revenue bills considered each year.

Office of the Republican Leader
United States House of Representatives
Washington, DC 20515-6537

Testimony by the Honorable
Robert H. Michel, Republican Leader,
before the Subcommittee on Legislation
and National Security,
Committee on Government Operations
March 10, 1993

Mr. Chairman, I would like to commend you for holding these hearings to examine the concepts of a line-item veto, enhanced rescission authority and expedited rescission authority.

I appear before you as a strong proponent of providing the President with real and effective enhanced rescission authority. I also appear today to add a new dimension to this debate by proposing that the President be given not only the power to strike out individual items of appropriation in appropriations bills, but be allowed to strike out special tax benefit provisions in tax bills. I have introduced such a measure, H.R. 493, the Enhanced Rescission/Recelpts Act of 1993.

I believe that targeted tax benefits should be added to the mix after a careful review of H.R. 11, the Revenue Act of 1992. This bill, which was the vehicle to enact the enterprise zone proposal, in the aftermath of the Los Angeles riots, grew and grew as it moved through the Congress. In the end, the bill contained over fifty special tax provisions totalling \$2.5 billion over five years and outpacing the cost of the enterprise zone provisions.

Mr. Chairman, I ask unanimous consent that the list of these special tax provisions be made a part of the record.

Although President Bush vetoed H.R. 11 last year, I can foresee President Clinton faced with a take-it-or-leave-it situation later this year when a tax bill or the reconciliation bill is presented to him. I can guarantee that many of these provisions will again be in that legislation as sweeteners to help pass the more difficult provisions. The President should have a tool to avoid being held hostage to all the special interest provisions that are tacked onto legislation, including those in revenue bills.

Under my proposal, H.R. 493, the President may rescind all or part of any discretionary budget authority within any appropriations measure or veto any targeted tax benefit within any revenue bill. The President must notify Congress of the individual rescissions or vetoes by special message not later than twenty days after enactment of appropriations or tax measures. The budget authority and targeted tax provisions are considered cancelled unless Congress, by majority vote in each House, enacts a bill or joint resolution that disapproves the rescission or veto. The Congressional review period extends for twenty days. Upon congressional passage of a disapproval bill or joint resolution, the President may either sign it or veto it. A veto would have to be overridden by a two-thirds vote in both Houses.

Many will argue that giving the President this type of enhanced rescission authority will tip the balance of power in favor of the Executive Branch and will dilute Congress' power of the purse. I will argue that the veto power of the Executive Branch has been diluted over the years by the

number of omnibus bills that Congress sends to the President, putting him in a take-it-or-leave-it position. Enhanced rescission power will equalize the balance again to some degree. It will also force action by Congress to overturn any special message where Congress clearly intends to exercise its prerogative in setting spending priorities.

The bottom line is that this procedure requires a two-thirds majority of both Houses to override the President's item veto. Only then would the money have to be spent, which the President sought to rescind or veto.

During the Presidential campaign, President Clinton stated that he would support enhanced rescission authority that would require expeditious Congressional action on Presidential rescissions, similar to H.R. 2164 passed by the House last year. I would not call the procedures in H.R. 2164 "enhanced rescission" authority, but, rather, I would call them merely "expedited" rescission authority.

Under current law, we have a process where rescission messages can be reviewed by Congress. But, Congress has to vote by simple majority to implement such a rescission proposal within a forty-five day period or else the money must be released on the forty-sixth day. The problem is that a simple majority of either House can reject any rescission approval bill presented by the President.

The "expedited" rescission proposal that we hear the Democratic Leadership intends to bring to the House Floor again within the next month does little more than speed up the existing process. It also apparently limits rescissions to unauthorized programs and 25% of authorized programs. Again, all it takes is a simple majority of each House to block any of these limited rescissions proposed by the President.

In general terms, we all agree that enhanced rescission authority is not the be-all and end-all in terms of bringing the federal budget into balance. The Congressional Budget Office estimates that discretionary spending, spending controlled on an annual basis through appropriations, has fallen to 36% of total federal spending. As I mentioned earlier, I propose to enlarge the area subject to enhanced rescission authority by including potential targeted tax expenditures that often run into billions of dollars.

If the President is given effective enhanced rescission authority, it can be a useful tool to focus the legislative branch on spending decisions that are necessary and that are in the national interest, rather than just serving very narrow individual interests. It will bring greater accountability to the process of deciding where the limited federal dollars can best be spent.

At least forty-two States have granted their governors some type of line-item veto authority. The President should also be granted such authority.

I hope that he will insist on enhanced rescission authority that has some teeth and that will actually work. I hope that he does not settle for some window dressing that appears to provide him with additional authority but which in practice changes nothing and allows Congress to override his wishes by a simple majority vote in one House.

SPECIAL INTEREST PROVISIONS IN H.R. 11

(Sponsoring Member(s) indicated where known)

I. TAX REDUCTIONS

- Sec. 2121. Exclusion from gross income for income from discharge of qualified real property business indebtedness. The bill provides an election to individual taxpayers to exclude from gross income certain income from discharge of qualified real property business indebtedness. The amount excluded cannot exceed the basis of certain depreciable real property of the taxpayer and is treated as a reduction in the basis of that property.
- Sec. 4128. Treatment of certain reimbursed expenses of rural mail carriers. The bill provides a tax exemption for rural letter carriers for travel reimbursements in an amount equal to their expenses.
- Sec. 4243. Special rules for plans covering pilots. On behalf of Federal Express, the bill extends the rule that currently permits separate treatment for union pilots under the qualified plan rules to also apply to nonunion pilots. A plan would be considered to have nondiscriminatory coverage even though all or substantially all the employees covered are highly compensated.
- Sec. 4613. Treatment of certain amounts received by operators of licensed cotton warehouses. The bill allows operators of licensed cotton warehouses who are on the accrual method of accounting to elect to defer the recognition of certain income arising from fees that they are legally unable to collect so long as they pay an interest charge with respect to the deferral.
- Sec. 4639. Tax-exempt financing for United Nations office buildings.
- Sec. 4651. Discharge of indebtedness income from prepayment of REA loans. In determining whether an exempt electric cooperative earns 85 percent of its income from members, the bill would ignore cancellation of indebtedness income from the prepayment of REA loans under the 1990 farm act.

- Sec. 4652. Treatment of certain amounts received by a cooperative telephone company. For all open years, the bill would treat 50 percent of income received from a nonmember telephone company for the performance of communication services which involve coop members as "good" member income for purposes of the 85 percent test. In addition, for all open years, the bill would ignore amounts received by a telephone coop for billing and collection services performed for another telephone company for purposes of the 85 percent test.
- Sec. 4653. Tax treatment of cooperative housing corporations. The bill clarifies that Code section 277 (costs incurred by a "membership organization" attributable to furnishing services, insurance, goods and other items of value to its members are deductible in any taxable year only to the extent of any income the organization has derived from its members or transactions with its members) does not apply to a "cooperative housing corporation." The provision further provides that patronage losses of a housing coop cannot offset earnings that are not patronage earnings.
- Sec. 4663. Authorization for Bureau of Land Management use of reforestation trust fund. The bill increases from \$30 million to \$45 million the maximum amount that may be transferred to the Reforestation Trust Fund for any fiscal year.
- Sec. 4665. Modification of credit for producing fuel from a nonconventional source. The bill provides that with respect to determinations required under the Code of whether gas is produced from geopressured brine, Devonian shale, coal seams, or from a tight formation, in the event that such a determination is not made by the Federal Energy Regulatory Commission in accordance with section 503 of the Natural Gas Policy Act of 1978 due to the expiration of that statute, Treasury is required to make such determinations. For purposes of these determinations, Treasury must follow the guidelines set forth in the Natural Gas Policy Act of 1978 prior to its repeal.
- Sec. 4707. Certain cash rentals of farmland not to cause recapture of special estate tax valuation. The bill provides that the cash lease of specially valued real property by a qualified heir to a "member of the family" (who continues to operate the farm or closely held business) does not cause the qualified use of such property to cease for purposes of imposing the additional estate tax under section 2032A(c). The provision is effective for cash rentals after December 31, 1976.
- Sec. 4832. Small manufacturers exempt from firearms excise tax. The bill exempts small manufacturers and importers

from the 11 percent excise tax on firearms and ammunition and the 10 percent excise tax on pistols and revolvers, if the manufacturer or importer manufactures or imports fewer than 50 such articles per year.

- Sec. 4834. Exemption for transportation on certain ferries. The bill exempts transportation on certain ferries from the excise tax on transportation of passengers by water.
- Sec. 4835. Application of certain taxes to certain business aircraft. The bill clarifies the application of the aviation excise taxes to business aircraft used by corporate affiliated groups to require the IRS to apply the applicable taxes on a flight-by-flight basis for an affiliated group as for a stand alone corporation.
- Sec. 6102(m). Application of Harbor Maintenance Tax to Alaska and Hawaii Ship Passengers. The bill exempts from the harbor tax passenger fares where transported on U.S. flag vessels operating solely within the State waters of Alaska or Hawaii and adjacent international waters.
- Sec. 7101. Income exclusion for education bonds expanded. The bill expands the definition of "qualified higher education expenses" under section 135 (which excludes interest on certain U.S. Series EE bonds from gross income) to include tuition and required fees paid by a taxpayer for the enrollment or attendance of any individual (not simply dependents) at an eligible educational institution. The amendment also repeals the AGI phaseout limitation under section 135.
- Sec. 7104. Treatment of cancellation of certain student loans. The bill expands the section 108(f) exclusion for the cancellation of certain student loan indebtedness so that an individual's gross income does not include discharge-of-indebtedness income from the cancellation of a loan made by an educational organization to assist the individual in attending the institution, provided the loan was made pursuant to a program of the institution designed to encourage its students to serve in occupations or areas with unmet needs.
- Sec. 7108. Penalty free withdrawals from annuities for higher education expenses. The bill would eliminate the 10 percent penalty for certain early withdrawals from annuities.
- Sec. 7303. Exclusion from unrelated business taxable income for certain sponsorship payments. The bill would exclude certain sponsorship payments from the unrelated business income of tax-exempt organizations and provide special relief for the Atlanta Olympic Committee from the UBIT.

- **Sec. 7306. Changes in application of wagering taxes to charitable organizations.** The bill provides that any organization exempt from tax under sections 501 or 521 and any person engaged in receiving wagers only on behalf of such organization are exempt from the occupational excise tax if the only wagers accepted are authorized under State law.
- **Sec. 7307. Conducting of certain games of chance not treated as unrelated trade or business.** The bill provides that the conducting of certain games of chance will not be treated as UBTI.
- **Sec. 7308. Treatment of certain nonprofit organizations providing health benefits.** The bill extends the special tax treatment of Blue Cross, Blue Shield and similar organizations to other taxpayers that do not fulfill the requirements of section 833 of the Code. The bill gives retroactive relief to a single taxpayer.
- **Sec. 7309. Treatment of Indian tribal governments under section 403(b).** The provision allows tax-deferred annuities for employees of Indian tribal governments. The provision would be effective retroactively for all plans established prior to enactment that were intended to qualify as a section 403(b) annuity.
- **Sec. 7310. Certain costs of private foundation in removing hazardous substances treated as qualifying distribution.** The bill provides that certain costs of a private foundation in removing hazardous substances with regard to a facility transferred to the foundation by bequest before December 11, 1980, and which ceased to be operated by the foundation prior to December 12, 1980, will be treated as qualifying distributions. Apparent rifle shot.
- **Sec. 7311. Unrelated business income for treatment of mailing lists.** The bill excludes from the UBIT income from exchanges or rentals (subject to a 10 percent of annual gross income limit) by a tax-exempt charity, war veterans group, or social welfare organization of mailing lists to any taxable or tax-exempt entity.
- **Sec. 7401. Treatment of certain reimbursed flight training expenses.** For all taxable years before 1980, the deductibility of flight-training expenses is to be determined without regard to whether such expenses were reimbursed through veterans educational assistance allowances. In addition, the provision allows a taxpayer to file a claim for a refund or credit of taxes that were overpaid as a result of the provision if the claim is filed prior to the close of the 1-year period beginning on the

date the provision is enacted.

- Sec. 7402. Treatment of certain securities transferred to ESOP from terminated pension plan. The bill grandfathers a section 404(k) dividend deduction for 9.9 million shares purchased on September 22, 1989, by the Merrill Lynch ESOP so that the limitations on such deductions adopted as part of the OBRA '89 will not apply to the deduction.
- Sec. 7403. Treatment of certain disability benefits received by former police officers or firefighters. The bill provides an exclusion for certain disability benefits received by former police officers or firefighters resulting from heart disease and hypertension.
- Sec. 7404. Fringe Benefits of airline affiliate employees. Under present law, the gross income of an employee of an airline or a qualified affiliate of an airline does not include the value of air transportation provided as a no-additional-cost service under section 132. The definition of a qualified affiliate is amended by this provision to include any entity that is at least 80 percent owned by one or more companies that operate an airline. This is for Northwest Airlines
- Sec. 7501. Increase in size of loans permitted under certain bond-financed programs. The provision conforms the maximum allowable loan amount under Federal tax rules (currently \$20,000 per participant) to the Texas-law maximum of \$40,000.
- Sec. 7502. Treatment of certain port authority bonds. Notwithstanding rules subjecting interest on otherwise tax-exempt bonds to tax where simultaneous issuances occur, the St. Paul Port Authority, created in 1932, would be allowed to simultaneously reduce the interest rate on 876 bond issues (technically a refunding) without loss of tax-exemption.
- Sec. 7503. Modification of limitation on capital expenditures for small issue bonds. The provision would except certain expenditures from the \$10 million small issue bond limitations.
- Sec. 7504. Application of 1988 technical correction. Rifle shot for project in South Carolina financed with tax-exempt bonds. The result of the amendment is to restore deductions to banks for interest expenses payable to depositors attributable to investments in tax-exempt bonds related to the project. The deductions are currently denied under the 1988 amendments.
- Sec. 7601. Provisions related to S corporations. The provision increases the shareholder limit for S corporations

from 35 to 50.

- Sec. 7602. Treatment of livestock sold on account of weather-related conditions. The proposal would extend certain deferral of income and nonrecognition of income Code provisions which apply to drought to forced sales of livestock due to other weather-related disasters.
- Sec. 7603. Depreciation period for tuxedos held for rental. The bill would create a special depreciation class for tuxedos with a 2 year class life and recovery period.
- Sec. 7605. Treatment of partnership investment expenses under minimum tax. The bill would permit individuals an AMT deduction for expenses paid or incurred for section 212 expenses with certain limitations.
- Sec. 7606. Clarification of certain buildings under rehabilitation credit. The bill permits a building that was relocated prior to the publication of certain proposed Treasury Regulations to be eligible for the credit.
- Sec. 7607. Minimum tax treatment of certain property and casualty insurance companies. The bill provides that a small property and casualty insurance company that determines its regular taxable income without regard to underwriting income and expense may determine AMTI the same way. The Administration opposes this provision because there is no justification for exempting underwriting income from the AMT.
- Sec. 7608. Tax treatment of associations resulting from mergers of certain farm credit associations. The bill provides that the income of any entity that results from the merger of a Federal land bank association and a production credit association should be subject to a Federal income tax except to the extent that the income is properly allocable to loans that are authorized to be made by Federal land bank associations and have an initial term of 10 years. The Administration opposes this provision because it creates significant Administrative difficulties and there is no justification for providing a tax exemption when the exemption was knowingly foregone in connection with the merger.
- Sec. 7609. Restoration of prior law treatment of corporate reorganizations through exchange of debt instruments. The bill restores cancellation of indebtedness (COD) rules similar to the pre-1990 Act rules with respect to debt-for-debt exchanges in a reorganization but attempts to do so without restoring the uncertainties that arose under prior law. The Administration opposes the provision because it is

not a comprehensive solution to COD income and it allows taxpayers inappropriate flexibility in the timing of income recognition.

- Sec. 7610. Treatment of deposits under certain perpetual insurance policies. Present law provisions which treat certain arrangements as below-market loans are not to apply to any deposit made by a policyholder under a qualified perpetual policy.
- Sec. 7611. Tax treatment of certain distributions made by Alaska native corporations. The bill permits Alaska Native Corporations to distribute specified amounts to native shareholders without dividend consequences, even though such corporations may have current or accumulated earnings and profits such that these amounts would otherwise be taxed to shareholders as dividends.
- Sec. 7612. Deduction for small property and casualty insurance companies. The bill would treat small property and casualty insurance companies similarly to small life insurance companies.
- Sec. 7613. Treatment of not-for-profit residual market insurance companies. The bill provides relief from the AMT limitation on the use of NOLs to not-for-profit, residual-market insurance associations.
- Sec. 7614. Gains and losses from certain dispositions by farmers cooperatives. The bill permits a farmers' cooperative to elect to treat the gains and losses from assets used to facilitate the cooperative's conduct of business done with, or for, its patrons as patronage-sourced income.
- Sec. 7617. Standing of certain taxpayers with regard to sale of net operating losses. The bill permits an election that would provide Native Corporations standing to litigate the validity of their NOLs under certain circumstances.
- Sec. 7618. Research credit base amount for start-up companies. The bill amends the definition of start-up companies for purposes of the R&D credit.
- Sec. 7619. Application of passive loss limitations to timber activities. The bill provides that two regulatory limitations applicable in determining whether an individual meets the facts and circumstances test for material participation in an activity do not apply to certain closely held timber activities.
- Sec. 7701. Tax-free sales of trucks assembled by educational organizations. The bill exempts from the truck excise tax

all trucks or truck trailers assembled by students and sold as a part of a program included in the regular curriculum of a nonprofit education organization, if the sales proceeds are used solely to defray the costs of the program.

- Sec. 7702. Clarification of exemption from firearms tax for reloading of shells and cartridges supplied by customer. The bill exempts reloaded shells and cartridges from the firearms excise tax. The exemption applies only when the purchaser turns in previously used cartridges or shells of the same type.
- Sec. 7703. Explosives handling equipment exempt from heavy truck tax. The bill provides an exception from the 12-percent retail excise tax for truck equipment used to mix explosive chemicals.
- Sec. 7704. Termination of certain special estate tax valuation recapture provisions. The bill provides that the special estate tax valuation recapture provisions will cease to apply after 1992 in the case of property acquired from decedents dying before January 1, 1982.
- Sec. 7705. Clarification of employment tax status of certain fishermen. The bill provides that service as a crew member on a fishing vessel will be treated as meeting the exclusion from the definition of employment for employment tax purposes.
- Sec. 7706. Service performed by full-time students for seasonal children's camps exempt from social security taxes. The Administration opposes this provision because there is no justification for distinguishing these employees from other part-time or temporary employees.
- Secs. 7801-4. Tax treatment of certain cargo containers. The bill clarifies the treatment of intermodal cargo containers placed in service in years prior to issuances of Rev. Rul. 90-9 and Rev. Proc. 90-10. Both the ruling and revenue procedure restrict application of accelerated depreciation to intermodal cargo containers.
- Secs. 7931-35. Annuity benefits for certain ex-spouses of CIA employees. The bill provides for the payment of retirement and survivor annuities to certain exspouses of employees of the CIA.
- Secs. 7941-2). Repeal of Coast Guard recreational boat user fee.

II. STUDIES

- Sec. 1141. Study of effectiveness of tax enterprise zone incentives.
- Sec. 5911. Pilot program for appeal of enforcement actions.
- Sec. 5912. Study on taxpayers with special needs.
- Sec. 5913. Reports on taxpayer-rights education program.
- Sec. 5914. Biennial reports on misconduct by Internal Revenue Service employees.
- Sec. 5915. Study of notices of deficiency.
- Sec. 5916. Notice and form accuracy study.
- Sec. 5917. Internal Revenue Service employees' suggestions study.
- Sec. 7911. Study of semi-conductor manufacturing equipment.
- Sec. 7912. Municipal bond fund study.
- Sec. 7913. Study of travel expenses of loggers.

**TESTIMONY OF
THE HONORABLE HENRY BELLMON
FORMER RANKING MEMBER, SENATE BUDGET COMMITTEE
AND FORMER GOVERNOR, STATE OF OKLAHOMA**

Mr. Chairman. My last speech on the Senate floor in 1980, was on the subjects of Congressional organization and budget process reform.

Let me say at the outset, however, that no plan better to organize the Congress, no budget process, can substitute for political will. No matter how Congress organizes, no matter how effective the budget process, elected politicians must make tough political choices. There is no other cure for our economic problems. If I could do one thing to help Congress today, I would re-create Senator Muskie as Chairman of the Senate Budget Committee. The contribution he made, the courage and leadership he demonstrated in the early days of the budget process cannot be over-stated.

I am flattered to be invited back to testify before you today and I find my thoughts not much changed since 1980. I would like to submit a copy my 1980 speech for the record. I am less sanguine than I was a decade ago about Congress ability to enforce spending limits through points of order. Instead, I have come to the view that you need statutory spending limits backed up by automatic across spending cuts which have come to be known as sequestration. I shall focus on four points today. Others have testified in support of similar concepts -- for instance, the

Kassebaum/Inouye bill.

Summary of Recommendations

Congressional Organization

1. The United States should move to a biennial budget and appropriations process. In odd numbered years, the President should propose and Congress should act on the budget, spending and tax legislation. In even numbered years, Congress should consider substantive legislative proposals, conduct meaningful oversight, monitor and evaluate programs, authorize and reauthorize spending.

Our recommendations may require that Congress give the President more flexibility to execute and implement policy -- fewer set-asides and earmarks, and/or broader re-programming authority.
2. In the new system, the House and Senate should combine Authorizing Committees and Appropriations Subcommittees. Every Member should serve on a Tax Writing Committees or one of the combined Authorization/ Appropriations Committees.
3. In order to give the process more clout and provide stronger leadership, the Budget Committees should be reconstituted as separate House and Senate Committees on National priorities. They should be Leadership Committees

comprised of the Chairmen and Ranking Members of the Tax Writing and Combined Authorizing/Appropriations Committees. The new Committees should be given jurisdiction over legislation affecting the Budget Act and Process. If the House and Senate do not adopt a conference agreement on the budget by a date certain, the appropriations process should move forward based on the limits contained in the President's Budget.

4. Congress and the President should agree on binding spending limits, including limits on entitlement spending. Those limits should be written into law. If spending exceeds the limits, automatic cuts (like sequestration under the 1990 budget agreement) should eliminate the overage.

Additional Comments on Budget Process Reform

1. In addition, I support line-item veto, but I understand that may require constitutional change. As an interim measure, a system of enhanced rescissions needed as an effective statutory alternative to line-item veto. The President should not be forced to choose between vetoing massive appropriations bills, providing funding for whole Departments and agencies (in the case of continuing resolutions, funding for virtually the entire federal government) or signing into law appropriations projects he considers to be

- wasteful. Congress must allow the President more latitude to manage the day-to-day business of government efficiently and effectively.
2. Any effective budget process must be universal, open and understandable, and enforceable. All program costs should be on-budget. Congress and the Administration must set firm, multi-year spending limits and live within the limits that they set. Recent experience suggests that the problem does not lie chiefly in the budgets we adopt. The problem lies in enforcement of the budget once it is adopted. Over the last decade, actual deficits have averaged \$42 billion per year more than the deficits contained in the budget resolutions Congress adopted. In one year (1989) actual spending was almost \$85 billion higher than the level in the budget resolution.
 3. Only interest should be exempt from expenditure limits and sequestration. Expenditure limits should be adjusted annually (up or down) for changes in unemployment, inflation and case loads. So-called "technical adjustments" should be limited to timing shifts, like the delay in spending for the savings and loan bail out. Technical adjustments should not be a guise to make up for mistakes in our estimates of the likely cost of spending and tax policies.
 4. Congress should stop trying to fine-tune fiscal policy for every blip in the business cycle. Leave economic stabilization to the monetary policy

process. Fiscal policy changes are too cumbersome, too political, too tardy and too tiny to achieve meaningful, timely effects.

5. I would support the creation of a Fiscal Policy Advisory Board, composed of leading economists or budget experts, chosen by the President and Congressional Leaders, to comment on the assumptions and estimates underlying budgetary proposals. *Members of this board should not be government employees. They should not generate forecasts nor make budget estimates. Their task should be to provide non-political, professional comment on the forecasts and estimates made by official government agencies and the manner they are presented. The board also might comment on the quality of the data based on which government makes major economic decisions.*
6. The expenditure side of the budget should include a small reserve, under the control of the President, against contingent liabilities and emergencies. Even the Governor of Oklahoma has access to such a fund.

Housekeeping Details

7. There should be a statutory requirement that every budgetary proposal provide certain information in a consistent format, e.g., budget authority, outlays, revenues, deficits and debt, aggregates and committee allocations,

functional totals or budget categories (whatever is the basis for scorekeeping and enforcement).

8. There is a need to build an informed constituency for spending restraint. For example, very time IRS mails out tax reforms, they might include a "box score" report to taxpayers something like the table below:

Spending Caps recommended by the President

Caps adopted by the Congress

Any Revisions to the Caps during the Preceding Year (amount/date/reason)

Actual Spending compared to the Caps

Revenues

Deficit

Increase in National Debt in Preceding Year (total and per capita)

Since I left the Senate, I have served with Bob Giaimo (former Chairman of the House Budget Committee) as Co-chairman of the Committee for A Responsible Federal Budget. I have with me some materials describing what The Committee calls the "Truth in Budgeting" proposal. We developed these proposals during the debate on the 1990 budget agreement. The materials I have with me today compare that

proposal with the Budget Enforcement Act (which is part of the 1990 budget agreement).

These materials spell out in more detail the Committee's recommendations for budget process changes which we believe need to be enacted as part of deficit reduction legislation this year. (Submit for record.)

Conclusions

In conclusion, let me again stress four points with regard to Congressional organization and budget process reform:

- Congress should adopt a biennial budget and appropriations process.
- Congress should combine the Authorizing Committees and Appropriations subcommittees. Every Member should serve on a Tax Committee or on one of the combined Authorizing and Appropriating Committees.
- The Budget Committees should be reconstituted as House and Senate Committees on National Priorities. The Chairmen and Ranking Appropriating Committees should be members of the Committees on National Priorities.
- Congress and the President should set binding spending limits, including limits on entitlements. Those limits should be written into law and backed up by automatic cuts similar to sequestration under the 1990 budget

The federal budget process is decentralized with a vengeance. Too many Executive branch agencies, too many Congressional Committees and subcommittees, go through too many steps each year, until it seems that no decision on spending and tax policy ever is final. The process is replete with duplication, overlap and redundancy. Complexity compounded by confusion undermines accountability. We speak of so-called "uncontrollable spending" as if those federal outlays resulted from natural laws rather than statutes enacted right here on Capitol Hill.

The thrust of my recommendations is two-fold: make government and the budget process more accountable and understandable; and create real political embarrassment when Congress and the President fail to live up to the promises you make in the budget process every year.

We need to be concerned about government accountability. The polling booth is the market clearing house of representative government. When government becomes so complex that concerned voters, willing to spend a reasonable amount of time, cannot understand what is going on in Washington, the system is in danger of breaking down.

But the budget is not the problem. The problem is that Congress and the Administration often fail to live within the budgets you adopt. How to live within that goal?

I am convinced that real, binding spending limits, covering all federal spending including entitlements, hold the key to serious budgetary restraint. You can balance the budget by cutting spending and/or raising revenues, but you never will reduce the deficit unless you agree that there is an amount of money more than which Congress and the president will not spend, and stay within those limits.

from and unprotected by the law, subject to abuse, and themselves openly in defiance of the law, is a prescription for social strife of great magnitude.

An overwhelming majority of Americans—91 percent—of every political, religious, ethnic and economic background, want an end to illegal immigration (Roper Poll, 1978). A growing number of organizations with national constituencies—the National Parks and Conservation Association, the Sierra Club, the Federation for American Immigration Reform, Americans for the Rights of Citizens, the V.F.W., the American Legion, The Urban League, The National Governor's Association, and The Environmental Fund—have begun the difficult but necessary task of moving the U.S. toward prudent population policies. Congressmen Paul Simon, Clarence Long and Tony Coelho and Senators Walter Huddleston and Dennis DeConcini are leading a reluctant Congress in the same direction.

A five-part proposal has become the basis of discussions concerning ways to control illegal immigration. First, it should be made unlawful to hire those not entitled to work in this country. Second, a work-permit system, utilizing an upgraded social security card, should be implemented to verify each person's right to employment. Third, development policies in the countries with high unemployment should be created with special emphasis on both the creation of the small family non and broadly owned rural enterprises and agricultural development. Fourth, the Immigration and Naturalization Service must be provided with the leadership and funds necessary to carry out its lawful and essential duties. And, finally, a carefully structured program of temporary agricultural guest-workers, limited in numbers and duration, might be established.

Making it unlawful to hire those illegally here, or otherwise not entitled to work, would at long last remove the inconsistency in our immigration law which has nurtured the growth in unlawful immigration. (It is presently illegal for these people to work, but entirely legal to hire them.)

Each job applicant must be treated equally, with documentation required to verify the right to employment. The experience of several European democracies demonstrates that such a work-permit system works quite well, preventing discrimination as well as providing easy legal recourse for those discriminated against.

Though it is now necessary to prove citizenship in order to obtain a social security card, legislation is needed to further tighten the process. Legislation is also needed to insure that the birth certificates of deceased persons are appropriately marked so as to combat their fraudulent use.

A work-permit policy need only apply to the new workers in our work force—those changing jobs and those entering the work force for the first time—thus gradually bringing all employees into the system over time, avoiding the cost and difficulty of a sudden switch in policy.

The most creative and important part of this proposal is that it avoids the potential for discrimination that has existed to previous proposals which make only the employment of illegal aliens a crime. If a record of employee social security account numbers is maintained, immigration officials need only check this and thus not harass legitimate employees. With such protection of the U.S. job market, employment opportunities in the United States for people illegally here would largely disappear.

Finally, this policy recognizes that the core of illegal immigration is rooted in the population explosion in the rest of the world. No doubt the United States should assist other countries, upon invitation, in establishing widespread economic incentive and

disincentive programs which make small families attractive. Such policies have been successfully undertaken by South Korea, Sri Lanka, and Singapore.

If other governments see no need to check the population growth looming so large on their national horizons, the United States should not compound this folly and ignore its own population growth. As long as national leaders, attached as they are to positions of privilege and power, can avoid facing the population problem, little will be accomplished in the way of social and economic reform, whether in Asia, Latin America or Africa. Our continued tolerance of such massive illegal immigration relieves many of these nations from facing their economic problems honestly, and thus is but another of the "hidden prosps" with which we help keep many despots in power.

Our Commissioner of Immigration has stated (*Christian Science Monitor*, March 14, 1979):

"As a sovereign nation, we have to control our own territory and our future. . . . We are not exercising our true sovereignty by allowing a blatant disregard of the laws governing admission into the United States. The need to do so is so basic and simple that it transcends economics and other parochial considerations of special interest groups."

We must do these things for a number of reasons—to preserve and protect a livable environment, to maintain a decent standard of living for our children, and most of all, to insure that this democracy, "the last best hope of mankind" will flourish. Only as such a nation, can our promise as a refuge from persecution, for even one person, continue to be fulfilled.

PRIVILEGES OF THE FLOOR— H.R. 8105

Mr. BELLMON. Mr. President, I ask unanimous consent that Don Ferrell and Elythe Thomas of my staff be allowed on the floor of the U.S. Senate during the consideration of H.R. 8105, Defense appropriations conference.

The PRESIDING OFFICER. Without objection, it is so ordered.

NEEDED CHANGES IN THE CON- GRESSIONAL BUDGET ACT

Mr. BELLMON. Mr. President, I want to share with the Senate some thoughts on needed improvements in the Congressional Budget Act of 1974.

I first want to thank my good friend and colleague, Senator PERCY, for pushing me to work together these thoughts. Senator PERCY was one of the original architects of the Budget Act, and through his service on the Governmental Affairs Committee has continued to keep a close eye on the evolution of the budget process. Here on the Senate floor, Senator PERCY has been one of the strongest supporters of the budget process as the Senate has dealt with many tough issues that the process has forced to the forefront.

I also want to thank the Senators and former Senators with whom I have served on the Budget Committee over the past 6 years. I am proud that we have been able to develop the budget process to the point where it is highly unlikely Congress will ever scrap the process and return to the old, pre-1975 fragmented ways of dealing with economic and fiscal policy.

I owe special thanks to those who have chaired the committee—Senators MUSKIE and HOLLINGS. They have been bipartisan in their approach and they have been wise in dealing with the thousands of individual decisions that have been faced by the Budget Committee since its inception.

The fact that my good friend Senator DOMENICI will chair the Budget Committee beginning in January gives me assurance that the process will continue to develop as a key part of congressional decisionmaking. Senator DOMENICI brings to the chairmanship of the committee an exceptionally keen mind and 5 years of experience on the committee. He probably does not need my advice on ways to improve the Budget Act or the budget process, but I nevertheless give it to him, Senator PERCY, Senator HOLLINGS, and the rest of my colleagues for such use as they may see fit.

While I feel the Budget Act has stood the test of experience reasonably well, I do believe that it is time Congress evaluated that experience against today's realities and improved the act wherever needed.

"The recently completed House-Senate conference on the second budget resolution for fiscal year 1981 agreed that the Budget Act should be thoroughly reviewed in the next Congress. The second budget resolution contains the following provision:

The Congress recognizes that (other than for certain minor changes adopted at the start of the Ninety-sixth Congress as revisions to the rules of the House) there have been no changes to the Budget Act of 1974. It is the sense of the Congress that after six years of experience under the Budget Act, the time is right for considering revisions and modifications to the Budget Act so as to improve the congressional budget process. Accordingly, the Congress believes that a review of the Budget Act and the congressional budget process should be undertaken without delay.

Senator DOMENICI, the incoming chairman of the Budget Committee, has indicated that he plans to schedule hearings by the Budget Committee within the next few months on possible amendments to the Budget Act. I am sure it will be advantageous for the Budget and Governmental Affairs Committees to work together in seeking ways to improve the budget process. Also, a task force of the House Budget Committee, chaired by Representative MINETA, held hearings several months ago on possible Budget Act revisions. I understand Mr. MINETA plans to introduce a bill to revise the Budget Act early in the next session.

The following are the key areas in which I see the need for changes in the Budget Act:

CREDIT BIDDING

It is very important that congressional budget resolutions begin to include effective controls over the amount of Federal loans and loan guarantees which can be committed in each fiscal year. The first and second budget resolutions for fiscal year 1981 include some modest steps in this regard. A task force established by the Senate Budget Committee has held hearings on this subject and

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will undoubtedly have some recommendations for the full committee next year.

Senator Percy's bill (S 2151) is the most thoughtful credit budgeting proposal that has been developed so far. My own view, however, is that there is need to go further than his bill goes in sorting out the whole credit picture. I believe, for example, that we should separate conceptually the treatment of direct loan activity from other types of budget authority. I think we are mixing apples and oranges now in a rather confusing way. Expenditures which become balance sheet assets are surely not the same as expenditures which remain liabilities of the Federal Government.

I would change the present classification of those direct loan programs which are on-budget—gross lending is scored as budget authority and the excess of loans over receipts is scored as outlays—and integrate them with the loan and loan guarantee programs which are now off-budget. I believe all this credit activity should be controlled through new budget categories for loans and loan guarantees. Both of these categories should be subdivided according to the budget functions to which the various programs relate. The enforcement mechanisms to accompany these categories may need to be somewhat different from those for the rest of the budget.

On the other hand, I believe implicit interest subsidies, default payments, and administrative costs of loan programs should be included in budget authority and outlays. Also, the act should include criteria for determining when loans are default, since there are wide variations on default determinations among Federal programs.

Consideration also should be given to precluding understatement of Federal activity through devices such as the Federal Financing Bank moving on-budget loans off-budget.

TREATMENT OF TRUST AND REVOLVING FUNDS

We now treat payroll tax collections for social security and unemployment insurance as revenues and score them as budget authority. These treatments are troublesome. For instance, when we reduce outlays in a trust fund program, we actually increase budget authority because the trust fund has more reserves which earn more interest. Thus, our present concepts mix "desirable" budget authority—that is, increased receipts by trust funds—with "undesirable" budget authority which connotes spending increases in most programs.

I propose that a new category called trust fund receipts be established and that the collection of these earmarked taxes be treated much like other offsetting receipts. This change would go a long way toward putting budget authority on a consistent conceptual basis.

There are also large revolving funds which probably should be treated in a similar manner to what I am suggesting for trust funds. Current "setting" priorities disguise the magnitude of the Federal activity and cause it to be largely ignored in Federal economic and fiscal policymaking.

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OFF-BUDGET SPENDING

I suggest that budget concepts be altered so that budget deficit and additions to the public debt are identical each year. This would reduce confusion—at least on the Hill. It would also put the real deficit—or surplus—before the public. The biggest and most crucial step would be to bring all off-budget outlays on-budget. I think there will be general support now for doing this, even though it will make the goal of a balanced budget even harder to reach. There will also need to be changes in the treatment of trust fund deficits and Treasury balances in order to make deficit/surplus figures and public debt changes identical.

RECONCILIATION

Our experience of the past 2 years has shown that reconciliation tied to the second budget resolution, as the Budget Act provides, simply comes too late in the fiscal year. In addition to the practical reality that Congress at least every other year will be under pressure to wind up its business and get out of town by October 1, there simply is little appetite that late in the session for biting the bullet on a set of tough budget decisions. In addition, the beginning of the fiscal year in October 1 makes the late September timeframe specified in the act for reconciliation almost unworkable.

This year's experience with reconciliation attached to the first budget resolution seems to me the way to go. Section 301(b) (2) of the act provides that the first resolution may include "any other provision which is appropriate to carry out the purposes of this act." This is probably a sufficient basis for establishing the practice of including reconciliation provisions routinely in first resolutions, but revising the Budget Act to authorize specifically the inclusion of reconciliation requirements in first budget resolution would help to establish the practice.

There is one other major lesson to be learned from this year's "first ever" use of the reconciliation procedure: Two House committees succeeded in forcing into the reconciliation bill a series of program extensions and expansions which increased spending. While this year's reconciliation bill is still a major achievement, I believe it is essential to amend the Budget Act to preclude inclusion in future reconciliation bills of provisions which do not produce net savings—estimated by CBO—over the first 5 years.

MULTIYEAR BUDGET

As you know, the Senate has been moving steadily toward multiyear budgeting. The House has this year made significant steps to come along. I believe we will shortly have a budget which contains agreed upon totals for at least 3 years. There is at present, however, no enforcement power behind the budget targets for out years. It is not a simple matter to build an enforcement procedure for multiple years, since it is unlikely that legislative or appropriation actions taken in a given timeframe will create enough spending in out years to

cause either the budget aggregates or even the functional totals to be exceeded.

My view is that we should change the act so as to make the Budget Committee serve as a gatekeeper on bills which take effect in future years or which have their major spending impact in the out years. For example, the act could be amended to provide that any bill which creates—or authorizes—new spending beginning in future years, or which creates—or authorizes—future year spending more than a specified percentage—perhaps 10—over spending for the budget year, will require a waiver before being in order. This would enable the Budget Committees to use the out-year assumptions underlying the budget resolution to challenge particularly blatant "ballooning" of spending after the budget year. While the Budget Committee's opposition to a waiver would be subject to override on the Senate floor, this type of provision would certainly have an inhibiting effect on the reporting of legislation with substantial out-year spending effects.

EFFECTIVE DATES OF REVENUE CHANGES

The Budget Act clearly needs to be tightened to reduce the opportunities for circumventing the revenue floor by shifting forward the effective dates of tax reduction legislation. One device that has been used is to make a tax change effective very late in a fiscal year so that it has minimal effect in the year for which a budget resolution exists, but a much larger effect in future years. Another loophole is created by section 302(b) which permits consideration of revenue legislation which first takes effect in a fiscal year more than 1 year beyond the fiscal year for which a budget resolution exists.

Ironically, the multiyear enforcement problem is actually easier to solve for revenues than it is for spending. All it will take for revenues is an amendment to the act placing the out-year revenue numbers on the same legal basis as the 1-year numbers currently are. As I have already discussed, the enforcement problem on out-year spending is considerably more complicated.

POINTS OF ORDER AGAINST BILLS EXCEEDING CROSSWALK TOTALS

The present enforcement tools, even on a 1-year basis, are very limited. No point of order can be raised unless spending under a bill would exceed the aggregate totals in the budget. A point of order certainly should be against bills which will cause spending to exceed committee allocations under second budget resolutions. I personally believe the point of order should also be available to help enforce the targets of the first budget resolution as well.

The first budget resolution for fiscal year 1981 included a temporary provision for delayed enrollment of bills which exceed committee allocations. I believe that a somewhat stronger provision should be included in the Budget Act itself.

In the case of the Appropriations Committee, I would favor making the point of order be against individual subcommittee allocations. Otherwise, the Sen-

ate can be faced with situations in which the last bill out of Appropriations runs the totals appropriated considerably over the budget, but the feasibility of making the committee live within its total simply does not exist because the last bill concerns defense or other essential spending.

ENTITLEMENT PROGRAM EXEMPTIONS

I propose that, so far as possible, we get rid of special provisions on entitlement programs so that there is more adequate budgetary control over these. For example, there is no requirement under section 402(a) that entitlement bills be reported by May 15. I do not see why Congress should not discipline the timetable on entitlement programs so that it can see early in the year the potential spending increases for both entitlements and appropriated programs. Indeed, social security bills are totally exempt from the May 15 reporting date, even if they deal with nonentitlement programs, so long as they contain some entitlement features. (Section 402(e)(2)).

Section 401(d)(1)(A) exempts social security bills from the requirement that bills which would exceed committee allocations be referred to the Appropriations Committee. I see no reason for that exemption. On the contrary, it seems to me to hold potential for considerable mischief.

Finally, section 401(a) leaves a wide-open path for entitlements to be timed so as to totally evade control by the budget process. For example, there is no impediment under section 401 to enactment between January 1 and May 15 of a calendar year of entitlement legislation having an effective date of October 1 of the same year—even though no budget resolution is yet in place. Likewise, there is no impediment at any time to enactment of entitlement legislation creating spending in future years. Clearly, Congress needs to strengthen its institutional capacity to resist increases in entitlement spending.

CONFERENCE REPORTS ON BUDGET RESOLUTION

Both the Senate and House Parliamentarians have ruled that conference agreements on budget resolutions which contain any numbers that are "outside the range" of the position of the two Houses going into conference must be reported in technical disagreement. This makes the conference reports subject to amendment on the floor of the Senate. The act should be amended to provide that only the budget aggregates—revenues, budget authority, outlays, deficit—and not the numbers for each function, must be within the range of differences between the Houses in order for there to be a full conference agreement. This change will reduce the potential for delays and brinkmanship between the two Houses over conflicting priorities.

CBO COST ESTIMATES FOR CONFERENCE REPORTS ON SPENDING BILLS

Experience has shown that we need to amend section 403 to require that updated CBO cost estimates be included in conference reports on spending bills. As we all know, bills are frequently rewritten extensively in conference. The Congress is still acting on conference reports

without carefully-developed cost estimates on the final bills. This should be remedied as quickly as possible.

EVASION OF MAY 15 REPORTING DEADLINES

There is a serious loophole in the May 15 deadline for reporting authorization bills. Committees are increasingly adopting the practice of filing incomplete bills, and even dummy bills, to satisfy the formal requirement. They then rely on committee floor amendments, often accepted without real debate, to clean up the bills. This practice should be stopped before it spreads. One way to do it would be to provide a point of order against committee amendments. Another possibility would be to require amendments to be offered by the committee, or by Senators signing the reports, to be printed and summarized in the RECORD at least 3 days before the bill is considered.

TWO-YEAR BUDGETS, AUTORIZATIONS AND APPROPRIATIONS

For the longer run, I think we must start working to get the Congress on a 2-year fiscal period. There is simply too much time pressure associated with the 1-year fiscal period for effective oversight to be done and other aspects of congressional decisionmaking to be carried out efficiently. I am pleased that Senator BAKER, our incoming majority leader, has expressed serious interest in this fundamental change. Senator BUMPERS and others have also recommended that the Congress "un jam" its calendar and increase time for program oversight by moving to a biennial cycle for most money decisions.

CONFORMANCE OF BUDGET AND APPROPRIATIONS SUBDIVISIONS OF THE BUDGET

I have been an advocate of the adoption for appropriation purposes of the functional divisions used in the executive branch and congressional budgets. It is clear that a great deal of confusion exists because of the use in the appropriation process of the traditional 13 bills organized by departments and agencies, while the budget process uses a "functions and missions" approach.

I have had some second thoughts on this recently, however, and am no longer certain that it would be wise to put the two processes on the same information base. If the allocations/crosswalking process can be strengthened and become better understood, and if points of order can be made available to help enforce the allocations, this might be a better course than the one I earlier advocated.

REVISIONS AND DEFERRALS

A careful review should be made of experience to date under title X, the Impoundment control provisions. One problem that needs attention is the present "all or nothing" situation on deferrals. I believe it is essential to provide a simple procedure under which Congress can approve part of a deferral proposed by the President when it decides not to go along with an entire proposed deferral.

TECHNICAL CHANGES

There are a couple of aspects of the timetable set forth in the Budget Act that simply have proven unworkable. One of these is the date for the submission of the President's current services

estimates. By agreement with the Budget Committees, OMB began about 3 years ago to submit these estimates in January as part of the President's budget submission. This was essential because the President's economic forecast is not available in November when the Budget Act says the current services estimates are to be submitted. Therefore, the problem quickly arose of the current services estimates being submitted on a different economic base than was used in preparing the budget proposals submitted in January. The switch in timing of the current services estimates has caused no problems and should be included in the Budget Act.

Likewise, the CBO annual reports and economic forecasts are now submitted to the Budget Committees in January or February rather than in April as projected in the Budget Act. The Budget Committees simply must have this material earlier than the Budget Act provides in order for it to be used in preparations for markup of the first budget resolution.

Mr. President, I thank you and my other colleagues for your time. I hope these comments will be useful to those who conduct the examination of the Budget Act to which Congress is now committed.

THE PRIME TIME PROGRAM IN RHODE ISLAND

Mr. PELL, Mr. President, I would like to take this opportunity to recognize the innovative and successful humanities program for senior citizens that is operating under the direction of the National Council on Aging through a grant from the National Endowment for the Humanities. I would also like my colleagues to be aware of a program in my own State of Rhode Island that is based upon the National Council on Aging's model.

The program in Rhode Island is called "prime time." It is dedicated to the social and cultural nourishment of senior citizens and, from all reports, has expanded the lives of its participants. Prime time is based upon the assumption that education and the arts are relevant to older people and that they can make a significant contribution to the cultural heritage of our country.

As chairman of the Subcommittee on Education, Arts and the Humanities, I cannot think of a program more deserving of support. The prime time program in Rhode Island is open to all seniors and anyone else interested in finding out more about it. It began as a discussion group in the tradition of the English coffeehouses. Prime time has continued to grow and now regularly hears from guest speakers on topics ranging from social security to the cost of higher education.

I am delighted with the popularity of this program and hope that it will continue to expand. I have long been concerned that the words "senior citizen" conjure up thoughts of inactivity and retirement. Ironically, however, in school seniors are usually the most informed, active and productive individuals. I hope that our country's attitude about seniors

Table B-3.
Sources of Differences Between Actual Budget Totals and First
Budget Resolution Estimates for Fiscal Years 1980-1992 (In billions of dollars)

	Policy	Economic	Technical	Total
Revenues				
1980	6.2	8.4	-3.5	11.1
1981	-3.7	5.0	-12.6	-11.2
1982	13.0	-51.9	-1.1	-40.0
1983	-4.6	-58.0	-2.7	-65.3
1984	-13.7	4.5	-3.9	-13.1
1985	-0.2	-20.0	3.3	-16.8
1986	-1.5	-23.0	-2.1	-26.6
1987	22.1	-27.0	6.7	1.7
1988	-10.9	3.6	-16.5	-23.8
1989	0.7	33.5	-7.8	26.4
1990	7.0	-36.5	9.4	-34.0
1991 ^a	-0.7	-31.4	-23.6	-55.7
1992	3.0	-46.3	-34.2	-77.5
Average Difference	0.2	-18.4	-6.8	-25.0
Average Absolute Difference	6.7	26.9	9.8	31.0
Outlays				
1980	19.6	12.4	15.6	47.6
1981	24.5	6.4	16.0	46.9
1982	1.2	24.1	7.7	32.9
1983	17.6	0.5	8.1	26.2
1984	1.5	7.1	-18.0	-9.4
1985	22.8	-5.2	-12.9	4.8
1986	14.2	-12.1	20.1	22.2
1987	6.8	-11.9	13.0	7.9
1988	-2.0	11.7	12.0	21.7
1989	17.5	13.9	11.8	43.2
1990	13.0	13.0	59.0	85.0
1991 ^a	-19.5	0.8	-21.7	-40.4
1992	15.2	21.4	-59.9	-66.1
Average Difference	10.2	3.0	3.9	17.1
Average Absolute Difference	13.5	10.8	21.2	34.9
Deficit				
1980	13.4	4.0	19.1	36.6
1981	28.2	1.4	28.6	58.1
1982	-11.8	76.0	8.8	72.9
1983	22.2	58.5	10.8	91.5
1984	15.2	2.7	-14.1	3.7
1985	23.0	14.8	-16.2	21.6
1986	15.7	10.9	22.2	48.8
1987	15.3	15.1	6.3	6.2
1988	8.9	8.1	28.5	45.5
1989	16.8	-19.7	19.6	16.8
1990	20.0	49.5	49.6	119.1
1991	18.7	32.3	1.8	15.3
1992	12.2	24.9	-25.7	11.4
Average Difference	10.0	21.4	10.7	42.1
Average Absolute Difference	17.0	24.5	19.3	42.1

SOURCE: Congressional Budget Office.

NOTE: Differences are actual outcomes less budget resolution assumptions.

^a Based on the fiscal year 1991 budget summit agreement, as assessed by CBO in December 1990.

Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>1. Put everything on-budget. Congress and the Administration should develop multi-year spending limits for all major budget programs.</p>	<p>1. Credit reform effectively put everything on-budget except GSE's. BEA made temporary changes in the Congressional Budget Act to create enforceable 5-year budget resolutions.</p> <p>BEA set separate spending caps for defense, international and domestic discretionary spending in Fiscal Years 1990-1993. For FY 1994 - 95, BEA set an aggregate cap for total discretionary spending. The 1990 act created temporary points of order in the Senate against violating the discretionary spending limits.</p> <p>BEA adopted "pay-as-you-go" instead of caps for entitlements and other mandatory spending and revenues. Both the discretionary caps and the pay-as-you-go base in BEA may be adjusted for all changes in economic projections and technical estimates. Under BEA there is no control over the growth in entitlement spending, if the increase occurs under current laws and policies.</p> <p>The growth in health care spending illustrates the difficulty with this approach. Under current laws and policies, Medicare and Medicaid spending are growing two to three times faster than the economy. That growth, and the decline in revenues due to the recession, are the principal causes of the deficit increases which have occurred since the 1990 budget agreement was enacted.</p>	<p>1. The separate caps in 1990-93 worked as we predicted they would: The CBO current policy forecast for total discretionary spending FY 94 - 95 is the same today as it was in January 1991.</p> <p>This is the only time anyone can remember spending projections remaining constant for two years.</p> <p>Congress and the President should continue to set separate, binding, multi-year caps for defense, international and domestic discretionary spending. This expenditure discipline works.</p> <p>Congress and the Administration should agree on binding, multi-year caps for entitlements and other mandatory spending.</p>

Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>2. Spending within the caps should be allocated among Congressional committees and subcommittees.</p> <p>Those caps should be the basis for budget enforcement.</p>	<p>2. The 602(a) crosswalk, contained in statements of managers accompanying budget resolutions, allocates spending among Committees with direct spending jurisdiction. Full Committees must report 602(b) crosswalks, allocating spending among their subcommittees, prior to reporting direct spending legislation.</p> <p>But Congress never votes on Committee allocations. Even conferees on budget resolutions do not know what the allocations will be when they approve a conference report. The allocations are produced by staff, after Members reach a conference agreement. Subcommittee allocations are produced after Congress approves the budget and full Committees may revise their subcommittee allocations at will. And Congressional Budgets are Concurrent Resolutions. They do not require Presidential signatures. Congress can change their budget unilaterally, at any time, whether or not the President agrees.</p>	<p>2. Committee allocations should be written into law.</p> <p>Those allocations should be the basis for enforceable limits on entitlements and other mandatory spending.</p> <p>In the case of spending in the jurisdiction of the Appropriations Committees, separate caps should be written into law for at least three broad categories of spending: defense, international, and domestic spending. It may be prudent, or even necessary, further to disaggregate discretionary spending caps to coincide with Appropriations Subcommittee jurisdictions, if Authorizing Committees and Appropriations Subcommittees were combined. (See item 10 below.)</p>

Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>3. Legislation which would cause the cap for any Committee/subcommittee to be exceeded in any year, should trigger sequestration to redress the overage. Only interest spending should be exempt from sequestration. Only spending in the jurisdiction of the offending Committee/subcommittee, should be subject to sequestration. At the end of the fiscal year, if the Treasury Department reports that aggregate spending in any major category exceeded the caps by more than one percent, Congress and the Administration would have 30 days to enact legislation either to raise revenues and/or cut spending to deal with the shortfall.</p> <p>If Congress failed to act, or the President vetoed the bill, sequestration would be triggered. Unlike the current system, cutbacks would be on a committee-specific basis. Programs in the jurisdiction of subcommittees which exceeded their budget allocations would be cut on a pro rata basis.</p>	<p>3. BEA created temporary points of order against exceeding Committee allocations for both the first year and the total of the 5 years covered by the budget resolution. BEA triggers sequestration any time legislation causes the discretionary caps to be exceeded. Sequestration is triggered if legislation violates the pay-as-you-go rules in the Act. Under BEA, legislation which causes the discretionary caps to be exceeded or which violates the pay-as-you go provisions in the Act triggers an immediate sequestration if that legislation is enacted at any time during the first three quarters of the fiscal year. Such legislation, if enacted in the fourth quarter of the fiscal year, causes a reduction in the caps(s) for the offending category(ies) of discretionary spending, or sequestration of eligible entitlement spending, in the next fiscal year.</p> <p>But under the BEA, sequestration is triggered by projections. It matters not if actual spending exceeds the projections and, therefore, causes the caps to be exceeded or increases the deficit on the pay-as-you-go side of the ledger. Adjustments for changes in "technical estimates" eliminate any overages unless the overages are projected when the legislation is signed into law.</p>	<p>3. Legislation which causes any Committee/subcommittee cap to be exceeded should trigger sequestration of all programs within the offending Committee/subcommittee jurisdiction. Only interest spending should be exempt from sequestration. The temporary points of order against exceeding Committee allocations for both the first year and the total of the 5 years covered by a budget resolution should be made permanent. Budget enforcement should be based on actual budget outcomes. If Treasury reports, after the end of the fiscal year, that spending in the preceding year exceeded existing cap(s) or Committee allocation(s), caps/Committee allocations for the current fiscal year should be reduced to offset the overage.</p> <p>If Treasury identifies such overage(s), however, Congress and the President should have a limited period of time before sequestration takes effect in which they may pass legislation to increase revenues and/or cut spending to offset the excess spending.</p> <p>There should be no advantage to be gained through overly optimistic projections of spending which is likely to result from legislation pending before Congress.</p>

Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>4. Interest costs would be exempt from the caps and the sanctions. Entitlement and other mandatory spending caps would be adjusted annually to reflect carefully defined changes in unemployment, inflation and caseloads.</p>	<p>4. Under BEA, discretionary caps and the pay-as-you-go base are adjusted for any and all changes in economic assumptions and technical estimates.</p>	<p>4. Economic conditions have much less affect on the spending side than the revenue side of the budget. Interest and unemployment account for most of the change due to economics on the spending side of the budget.</p> <p>Too often, technical re-estimates reflect earlier underestimates of the actual cost of spending and tax policies. Very limited technical re-estimates should be permitted, but only for shifts, etc., and other factors which do not add substantially to total deficits, and/or for factors truly beyond the power of Congress and the Administration to control. Adjustments for economics and technical should be very limited and governed by very strict rules. The object should be to set binding spending limits and live within the limits we set.</p>
<p>5. Congress should be able to agree on deficit-neutral spending legislation at any time. But they should have to vote to raise the caps and they should pass such legislation free standing, not inside some omnibus legislation. Congress and the President should establish a small contingency reserve and a mechanism to limit spending from that reserve, so there will be room to meet real emergencies within the spending caps.</p>	<p>5. BEA permits spending in excess of discretionary caps and/or in violation of the pay-as-you-go requirement for entitlement legislation, provided Congress and the President agree to declare an emergency. When emergency spending legislation is enacted, adjustments to the discretionary caps and the pay-as-you-go base are made as technical adjustments.</p>	<p>5. There is nothing anybody can do to keep Congress and the President from passing legislation and exempting it from caps and sequester provisions. But such actions could be made substantively less necessary and politically more painful: Establish a real contingency reserve; Make it very hard to spend the reserve funds except in real emergencies. And make Congress vote to raise the caps -- separately, before they vote to spend the money.</p>

Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>6. There would be no need to suspend the new sanctions in the event of a recession. The automatic stabilizers in the budget would continue to operate: caps for programs like unemployment compensation would be adjusted upward and revenues downward, but real controls would be kept in place.</p>	<p>6. §254(j) of the congressional Budget Act as amended by BEA requires CBO to notify the Congress if during the preceding five quarters CBO or OMB has determined that the real economic growth is projected or estimated to be less than zero with respect to any two consecutive quarters; or the most recent Department of Commerce advance preliminary or final reports of actual real economic growth indicate that the rate of real growth for the last two quarters is less than one percent. Whenever CBO issues such a report, under §258, the House Majority Leader may, and the Senate Majority Leader shall, introduce a joint resolution declaring that the conditions set forth in §254(j) are met and suspending the spending and deficit limits, certain points of order and the sequester provisions of the Act.</p>	<p>6. The provisions of §254 and §258 are unnecessary. We need a separate, specific statutory requirement for CBO to report to Congress when economic growth slows and we should not attempt to fine tune fiscal policy for every change in the economy. The automatic stabilizers embedded in our spending and tax policies ensure that revenues will fall and outlays will increase during economic downturns.</p> <p>Congress and the President should adopt prudent fiscal policies for the medium term. Annual fiscal policy goals should be adjusted for factors beyond the power of Congress and the Administration to control.</p>
<p>7. Establish an Advisory Board, composed of leading economists or budget experts, chosen by the President and Congressional Leaders. The Advisory Board should meet periodically. This should not be a full time job for any member of the Board. The Board should have a <i>small</i> staff. They <i>should not</i> generate economic forecasts or budget estimates. Their function should be to comment on the assumptions and estimates underlying budgetary proposals.</p>	<p>7. BEA set up an informal consultation process in the hope of reducing the differences between OMB and CBO estimates -- and ensuring that all users of those estimates understand clearly the causes of any remaining differences.</p>	<p>7. We continue to believe that an Advisory Board -- unconnected to the executive or Congress could, by their unbiased examination and comment help to improve the quality of the budgetary process and the policy debate.</p>

Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>8. The Expenditure side of the budget should include reserves against actual existing commitments for future year outlays, e.g., Social Security and for contingent liabilities.</p>	<p>8. The 1990 Budget Agreement took Social Security trust fund reserves out of the deficit calculations, but government cannot and will not create real reserves until and unless we balance the operating budget (i.e., the budget not counting trust fund surpluses).</p>	<p>8. We continue to believe that the government should put aside real reserves for Social Security and other known liabilities. This would require the government to balance the budget without counting trust fund surpluses.</p>
<p>9. Congress should pass and the President should sign into law Enhanced Rescission legislation.</p>	<p>9. The 1990 Budget Agreement did not include line item veto or enhanced rescission legislation. Before adjourning sine die last year, however, the House of Representatives passed an Enhanced Rescission Bill, by an overwhelming majority.</p> <p>Congress continues to observe in the breach the prohibition against appropriations for unauthorized programs in both the House and Senate rules.</p> <p>They continue to pass new legislation authorizing billions of dollars in additional expenditures, even "such sums as may be necessary," to accomplish stated program goals, thus putting upward pressure on Federal spending and/or creating unrealistic expectations.</p> <p>And Congress continues to pass omnibus appropriations legislation, forcing Presidents to choose between closing down government and signing into law appropriations that the President believes to be wasteful or unnecessary.</p>	<p>9. Scholars argue about the constitutionality of generic, prospective, statutory line item veto authority for the President. Enhanced rescission is a clearly constitutional statutory alternative to line item veto. Enhanced Rescission authority could mitigate the pressure on Presidents to choose between vetoing huge appropriations bills or signing into law what the President considers to be wasteful spending for specific programs.</p> <p>Congress should strictly enforce the House and Senate Rules against appropriations for unauthorized programs and activities.</p> <p>Congress and the Administration should consider some combination of sunset legislation and line item veto or enhanced rescission to create real incentives to reconsider and eliminate old, low priority programs, make the authorization process more accountable and discourage unrealistic authorizations for appropriations, and give the President a stronger hand to eliminate low priority, unnecessary or wasteful spending.</p>



Truth in Budgeting Act -- 1990 Recommendations	Budget Enforcement Act 1990	Recommendations 1993
<p>10. The United States government should move to a biennial budget and appropriations process</p>	<p>10. The three-year caps for defense, international and domestic discretionary spending in the 1990 budget agreement, arguably, represented significant movement toward multi-year budgeting and the extent to which those caps proved to be practical, effective and enforceable suggests that we could budget two years at a time.</p>	<p>10. Congress should move to a biennial budget and appropriations process. They should consider budget, spending and revenue legislation in odd numbered years. Even numbered years should be devoted to authorizations and oversight. There should be significant procedural obstacles to enactment of any appropriations legislation in even numbered years.</p>
<p>11. Congress should combine the Authorization Committees with Appropriations subcommittees.</p>	<p>11. This and other related issues are under study now by a bicameral, bipartisan Congressional group.</p>	<p>11. Combined with biennial budgeting, this would create clear spheres of responsibility and accountability, free up blocks of time for meaningful evaluation and oversight, and eliminate unnecessary duplication and overlap.</p>
<p>12. No comparable 1990 recommendation.</p>	<p>12. Not addressed in 1990 .</p>	<p>12. Congress should give serious consideration to the Inoyue/Kassebaum recommendation, to reconstitute the budget committees as committees on national priorities comprised of the Chairmen and Ranking Members of the combined Authorizations and Appropriations committees.</p>

STATEMENT OF HONORABLE JOHN JOSEPH MOAKLEY, CHAIRMAN
HOUSE COMMITTEE ON RULES
JOINT COMMITTEE ON THE ORGANIZATION OF CONGRESS,
MARCH 30, 1993
BUDGET REFORM

The House Committee on Rules has a special responsibility under House Rule X, clause 3(i), to exercise on-going oversight of the congressional budget process. The principal law within the Committee's purview is the Congressional Budget and Impoundment Control Act of 1974. The committee also has jurisdiction over budget process related provisions found in part C of the Balanced Budget and Emergency Deficit Control Act of 1985, and the Budget Enforcement Act of 1980.

In light of the Joint Committee's intensive examination of the budget process this past month, I would like to share my thoughts on the issue of budget process reform with the Joint Committee. Let me preface my comments by saying that despite the numerous proposals to change or "fix" the budget process, I firmly believe the problem is more one of mindset than flawed procedure or process.

I'm not a fan of budgeting on automatic pilot, of mechanical formulas and across-the-board cuts. To me, the federal budget is a human, political document; a value statement; an expression of what we think is important, of where we think the nation should put its money and where we should cut back. Bottom line, a budget makes choices. Sequestration is the very antithesis of making choices and being held accountable.

Having said that, I will tell you the Budget Enforcement Act (BEA) works. It works because it enforces a deficit reduction plan, it does not try to write one. It has kept discretionary spending in the bounds we established and reined in our appetite for new spending. The threat of targeted sequestration forces us to pay as we go for new entitlements, for liberalizations of existing entitlements, and for tax giveaways. In effect, we do not allow new policy to overrun the limits we set in 1990.

Gramm-Rudman was a very different approach. Because Gramm-Rudman sought to force the enactment of future reductions, it failed and failed miserably. With Gramm-Rudman, we tried to prescribe annual deficit targets reaching a balanced budget within 5 years. We tried to use an automated mechanism to

mindlessly do our budgeting for us or at least to force us to make better budgets. No process can instill the will to do the right thing. If we didn't already know that, Gramm-Rudman taught us that lesson.

The Budget Enforcement Act, on the other hand, simply and effectively enforces existing budget decisions. The purpose is to constrain new spending. The BEA process prevents future policy decisions from overturning the deficit reductions made elsewhere in the 1990 reconciliation bill. The BEA keeps us headed in the right direction; it does not try to impose a new direction on us.

As Robert Reischauer recently testified before you, summing up the lessons of 20 years of congressional budget process: "Budget procedures are much better at enforcing compliance with previous decisions (in this case a deficit reduction agreement) than at simultaneously specifying both a predetermined outcome and its enforcement."

I support an extension of the BEA, in order to insure that this year's deficit reduction efforts -- the permanent changes in spending laws and the tax increases we will make in reconciliation -- are not frittered away with new spending projects in the coming years.

There is some technical cleaning up that I would urge we do if we extend the BEA process. We've had several years of experience now and I think we can tighten up and improve, at the margin, the 1990 Act. There were a number of drafting errors, for example, the term "budget authority" is defined twice with a slightly different definition in each place. There are procedures, for example dealing with what to do in a period of low growth, that are ambiguous. There are some areas where we could improve the mesh between the Budget Act and existing House rules and some places we missed in standardizing language. But these are small changes.

To conclude, I am hopeful. For whatever it is worth, I sense a new seriousness about real deficit reduction, reflected most recently in the House debate on the investment/stimulus supplemental appropriation. It strikes me as most unusual that we used a 5-year deficit reduction budget package, with \$63 billion in additional spending cuts, as the sweetener to pass a spending bill. If that's not a sea of change in congressional attitudes, I don't know what is.



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